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NEWS SUMMARY

GENERAL

Jinja taken without fight

Tanzanian and Ugandan troops are preparing a new push after triumphantly taking Jinja, Uganda's second-largest town—and failing to find any trace of former dictator Idi Amin, John Worrall writes from Nairobi.

Their target is Tororo, a pro-Amin military base a few miles from the Kenyan border. Amin's troops put up token resistance at the Owen Falls dam and power station but fled when the Tanzanians fired mortar shells.

Wildly hysterical crowds greeted the forces when they entered Jinja, which had been evacuated by Amin's troops days ago after they had looted shops and killed many civilians.

Israelis hit back

Israeli gunboats bombarded a Palestinian guerrilla camp on Lebanon's northern coast, apparently in retaliation for the raid in Israel in which six people died. Israel Defence Minister Ezer Weizman has postponed a trip to Egypt because of the Palestinian attack. **Page 2**

Iran ceasefire

A ceasefire was declared between Turks and Kurds in the north-western Iranian town of Naghadeh, ending three days of fighting in which at least 25 people were killed. Meanwhile, Dr. Ibrahim Yazdi, a close friend of Ayatollah Khomeini, has taken charge of foreign affairs. **Page 2**

Refugee charge

The captain and owner of a ship which landed 571 Vietnamese refugees in Hong Kong at the weekend were charged with carrying unscheduled passengers into the colony. Australia says between 100,000 and 200,000 refugees have died fleeing Vietnam in the last four years.

Windscale probe

Government safety inspectors are investigating a leak of radioactive materials at Windscale, said to be the most serious in its history. More than 2,000 gallons of radioactive material have seeped into the ground. **Page 3.**

Teachers' lobby

Thousands of members of the National Association of Schoolmasters and Union of Women Teachers are to lobby "last ditch" London pay talks tomorrow in support of a demand that the dispute should be sent to arbitration. **Back Page**

Pakistan shuffle

Tough-minded army generals have been handed all of Pakistan's key economic portfolios, paving the way for difficult economic decisions which General Zia Ul-Haq's government may have to make before the June budget. **Page 2**

Badminton first

Lucinda Prior-Palmer became the first rider to win the Badminton Horse Trials Championships for the fourth time. She also won the event in 1973, 1976, and 1977. **Page 9**

Super rodents

New breeds of super rodents are emerging in Britain. Mice at London's Smithfield meat market are growing very long fur to combat the freezing temperatures in the cold stores.

Briefly...

A man who tried to steal a policeman's vehicle while he was directing traffic in Manila was shot dead after a chase.

About 20,000 Cambodians who fled into Tahiland are refusing to return to their war-ravaged country.

BUSINESS

Italian steel price cuts claim

● **INFORMATION** on price undercutting by the Italian steel and heavy steel fabrication industries in contravention of the Davignon rules on competition and pricing within the EEC has been passed to the Department of Industry by the Process Plant Association.

UK heavy fabrication manufacturers are losing a growing proportion of orders for British projects to other EEC countries. **Back Page**

● **U.S. STEEL** industry and trade unions have asked for a three-year extension of special steel import quotas beyond their expiry date in June. President Carter is faced with the difficult decision of whether to prolong the quotas and incur the displeasure of foreign producers, mainly from the EEC and Sweden or let them lapse and lose the political support of Congressmen for the passage of the GATT trade agreements. **Back Page**

● **DETERIORATION** in the financial position of industrial and commercial companies is expected to be confirmed by new official figures out later this week. **Page 3.**

● **DUNLOP** has rejected union "alternative plans" for maintaining production at the Speke plant on Merseyside which was closed last week. Dunlop unions are now disrupting operations at the company's other plants in an attempt to force the company to negotiate the reopening of Speke. **Back Page.**

● **THE IRAN** national car company has reached agreement with Chrysler UK to resume the supply of components disrupted by the country's political crisis, although uncertainty still surrounds the operation of the company's main Tehran factory. At Chrysler's Coventry engines plant, 1,200 car workers resume work today after an 11-week layoff. **Page 2**

● **LLOYD'S** ... underwriting agents group meets today to explore ways in which the Sasse syndicate can be helped to meet its £13.6m of losses, following the refusal last week of the Lloyd's committee to increase a £7m loan facility. **Back Page**

● **REPORT** on the collapse of the Grays Building Society, which left a shortfall of £7m in March 1978, is to be published soon. **Page 3**

● **COUNCIL** for the Securities Industry will meet on Friday to consider whether the City should help enforce accounting standards on companies. **Page 3**

● **POST OFFICE**, Cable and Wireless and Airadio, the British Airways subsidiary, have shelved plans to set up Britel, a joint telecommunications consultancy. **Back Page**

● **NATIONAL SAVINGS** Department's funds under management rose last month by £195.9m to £11.572bn, boosted by the industrial action which has prevented savers making withdrawals. The March figure shows that in the last financial year the department's funds rose by £1.444bn—an increase of 14 per cent on the April 1978 total of £10.128bn. **Page 3**

COMPANIES

● **ASSOCIATED FISHERIES**, Britain's major fishing, cold storage and processing company, must achieve substantial structural changes to restore an acceptable level of profits, according to the retiring chairman, Mr. P. M. Tapscott. **Page 40**

● **AKZO**, the troubled Dutch chemicals group, plans a further cutback in its lossmaking fibre production in the Netherlands, leading to the loss of several hundred jobs and requiring about $75m in government aid. **Page 41**

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Tories expect 25-30 seat majority

Labour attacks on prices in bid to close the gap

BY PHILIP RAWSTORNE

Labour launched a vigorous election offensive yesterday against Conservative prices policies in a bid to close the gap between the parties in the last ten days of the campaign.

Labour's election strategists believe that the Conservative lead, generally estimated in spite of wide discrepancies in the opinion polls to be enough to give them a Commons majority of 25-30 seats—is still highly vulnerable.

There are signs that the gap has narrowed and that some 6m voters have yet to make up their minds about which party they will support on May 3.

Labour's assault was sharpened yesterday by the first stages of its planned £300,000 political advertising programme.

The advertisements focused on the higher prices and rents that Labour claims could follow Tory proposals to abolish the Price Commission, increase value-added tax, devalue the EEC "green" pound, and phase out subsidies.

Mr. Denis Healey, Chancellor of the Exchequer, reinforced the attack in a speech in Scotland last night.

Mrs. Margaret Thatcher's "extra taxes on the shopping baskets" would "raise the cost of living by 4p in the pound at a stroke," he said.

In Deptford Mr. John Silkin, the Agriculture Minister, pledged that he would continue the EEC price freeze.

"It's only Labour who will make sure you are able to buy your family's food at the cheapest possible price. These things will not be won by a Tory party that believes in surrender."

Conservatives, who intend to mount a £250,000 advertising campaign themselves in the next ten days, quickly countered the Labour onslaught.

Sir Geoffrey Howe, the party's economic spokesman, said in a statement that any increases in indirect taxes needed to finance income tax cuts would not apply to essentials like food, housing, fuel, children's clothing and public transport.

Mr. Francis Pym, Tory foreign affairs spokesman, said that a Tory Government would also freeze the prices of EEC products in surplus.

Further stages in the campaign, originally planned for a possible election last October, will be discussed by Mr. James Callaghan and other members of Labour's election committee today.

Mr. Callaghan spent yesterday quietly at Chequers after consulting other party leaders by telephone.

Transport House provided him with analyses of party polls and canvasses which are said to show the Labour vote holding firm. There are no signs, it is said, of the abstentions which were showing at this stage in the 1970 campaign.

Mrs. Thatcher called most members of her Shadow Cabinet yesterday to her Chelsea home for tactical talks.

Conservative leaders are confident, if the momentum of their campaign can be maintained, of securing a Commons majority of 25-30.

Hopes of a more decisive victory appear to have been squashed by Labour's admitted strength in Scotland.

But the Tories calculate that they may benefit from the apparent absence so far of a resurgence in the Liberal vote.

Weekend opinion polls agreed that the Liberal share of the vote remained at about 9 per cent, yet showed widely differing assessments of the main party strengths.

Gallup, in the Sunday Telegraph, gave the Tories a 5½ per cent lead over Labour, little more than half its advantage the previous week.

The Observer poll, conducted by Research Services, suggested that the Tory lead had actually increased to 20 per cent.

Marplan's poll of 100 marginal seats put the Conservatives 12 points ahead.

A MORI poll for the Sunday Times gave the Tories a 9 per cent lead, but also suggested that the electorate was still highly volatile.

Other election news, Page 4

Union bid to avert clash on immunity

By Christian Tyler, Labour Editor

UNION LEADERS are trying to avert a potentially embarrassing clash at today's Scottish Trades Union Congress over the issue of trade union immunity under th law, one of the main targets of the Conservative election campaign.

The general council of the STUC decided yesterday, on the eve of the congress in Inverness, to ask for remission of a motion demanding more legal protection for pickets, including the right to stop lorries, and for workers who occupy factories.

If the movers, the engineering section of the Amalgamated Union of Engineering Workers, supported by Clackmannanshire Trades Council, do not agree, delegates will be asked to vote the motion down.

The aim is to stop the Conservatives picking up further anti-union ammunition in the wake of the controversial remarks of Lord Denning, Master of the Rolls, and Sir Robert Mark, the former Metropolitan Police Commissioner, to the effect that the power of unions was a challenge to the rule of law.

The AUEW is not popular with other union delegations in Inverness. If it insists on a vote it will certainly be opposed by the General and Municipal Workers and most probably by the Transport Workers as well.

The STUC general council has put up its own emergency motion asking for endorsement of the TUC-Government concordat. The concordat lays great emphasis on the voluntary restriction of both where pickets are placed and the size of picket lines.

Mr. James Callaghan and union leaders are relying heavily on the concordat in the campaign as the answer to the Tory proposals for legislative reform, and as the basis of peaceful industrial relations and the path to an inflation rate of 5 per cent.

As the argument about legal compulsion versus the TUC's voluntary guidelines continued to rumble, Mr. Moss Evans of the Transport Workers, declared yesterday that the Conservatives were unlikely to win union co-operation on the basis of their programme. He also doubted if they would even look for co-operation on industrial relations: "You don't ask someone you are about to mug for co-operation," he said.

He said he thought that any trade union action, including strikes, go-slows or work-to-rules, and not just "secondary

Continued on Back Page

Confusion over IRA tactics as O'Neill row continues

BY STEWART DALBY

A WEEK of killings in Northern Ireland, combined with a series of contradicitory and confusing statements, has produced a question mark over Provisional IRA tactics. For, at the end, a week in which new depths of violence were reached—a woman prison officer was killed for the first time—the Provisionals, through a message delivered by telex to newspapers and hotels, have explicitly denied that the increase in murders was timed to coincide with the British general election.

Yet the police claim that whatever the Provisionals have said about the general election, the whole thrust has been timed to make thhe maximum impact while there is an election campaign goining on.

paign going on. There is little doubt, either, that there are targets in mainland Britain: but when strikes will come is anyone's guess.

One irony is that Mr. "Tip" O'Neill, the Speaker of the U.S. House of Representatives, in one speech in Dublin and one Press release in Belfast, achieved what all the IRA bombs have failed to do: he got British political leaders to talk about Northern Ireland.

Mrs. Margaret Thatcher spelt out Conservative policy for the first time during the campaign: Mr. James Callaghan rejected the idea of an American-style conference on Ulster "at the present time;" Mrs. Shirley Williams condemned Mr. O'Neill's remarks as unfair; and Sir Harold Wilson made a strong attack on Mr. O'Neill.

Dr. Conor Cruise O'Brien, a former Irish Cabinet Minister and now editor-in-chief of The Observer, yesterday called Mr. O'Neill's charge that Britain had treated Ulster like a political football "absolute nonsense."

He added: "What Mr. O'Neill says does not alter the fact that there is a majority in Northern Ireland that wants to remain in the UK."

'Genuine concern'

Mr. Walter Mondale, the U.S. Vice President, who made a one-hour stop at Shannon Airport to discuss the question of Irish troops in the UN Middle East peace-keeping force, said he was sure "Mr. O'Neill had no wish to embarrass the British Government."

He also said that he felt the remarks were made out of "a genuine concern which is felt at the highest levels of government in the U.S. about what was going on in Ulster."

The weekend attack on British Northern Ireland policy by Governor Hugh Carey of New York has aroused similar reaction. In yesterday's New York Daily News Mr. Carey said that British policy was an "affront to the entire world community."

Meanwhile, there is still uncertainty over just how big a part the small Irish National Liberation Army has played in recent events in the Province. The INLA is thought to be a splinter of the Irish Republican Socialist Party, which itself is a faction of the Official IRA.

The Officials are the rump of the once-unified IRA left at the end of the campaign in Northern Ireland which finished in 1962. When the violence surged again in the late 1960s, the Provisionals split off, forming a more militaristic organisation than the Officials.

However, the Republican Socialists have denied connections with INLA. Senior police officers admit to knowing little about the INLA, and it is difficult to assess their claims of killings, particularly when they conflict with those made by the Provisionals.

The police believe the INLA to be a small guerrilla force without the network available to the Provisionals, but think that it has some skilled operatives who are responsible for sophisticated ambushes and may have been behind the killing of Mr. Airey Neave, the Tory spokesman on Northern Ireland.

They feel that INLA has closer ties with the Provisionals than either group admits.

Elation in Salisbury as poll turnout is put at 64%

BY MARTIN DICKSON

THE Rhodesian Government's morale was given a major boost yesterday when it was announced that almost 64 per cent of voters had cast ballots in the country's internal settlement election, which ended on Saturday.

Officials said that in five days of polling 1.85m of Rhodesia's estimated 2.9m black and white voters had cast ballot papers, giving a 63.9 per cent poll.

However, some doubts were cast over the accuracy of the figures by a breakdown of voting by provinces, which showed that in one area, Mashonaland Central, there was a 108 per cent poll, while in a second, Mashonaland West, it was 101 per cent.

Officials explained this by saying that their figures for the voting population in each province were estimates, based on the 1969 census, and it was not surprising that there should be some anomalies.

The discrepancies did not detract from the atmosphere of triumphant elation in Salisbury at the turnout, which was substantially bigger than the Government's own forecasts. Mr. Ian Smith and his black colleagues believe the result will greatly strengthen their hand in seeking outside recognition for the new government of national unity which is to be formed at the end of May.

With votes being counted over the next few days, the winners of the election are not expected to be announced until Wednesday or Thursday, together with the number of spoilt ballot papers, which could indicate a protest vote.

At stake are 72 black seats in a new 100-seat parliament, the other 28 seats being reserved for whites for at least ten years. Bishop Abel Muzorewa's United African National Council seems certain to emerge with by far the greatest number of seats.

Although the Patriotic Front guerrilla movement failed to disrupt polling as it had threatened, regional election results showed some startling disparities which were clearly the result of guerrilla influence. In Matabeleland South, for example, there was only a 30 per cent turnout, indicating a boycott of the poll by the Ndebele and Kalanga followers of Mr. Joshua Nkomo, the co-leader of the Patriotic Front.

As polling came to an end, the Rhodesian Government launched fresh air strikes into Zambia and Mozambique. Official communiques said that "terrorist targets" had been attacked in two provinces of Mozambique, while enemy positions just inside Zambia were knocked out after Rhodesian forces had come under heavy rocket and mortar attack from across the frontier.

U.S. 'stands by monetary policies'

BY ANTHONY HARRIS IN NEW YORK

THE U.S. commitment to a firmly anti-inflationary monetary policy stands, despite recent public disagreement over interest rates between Treasury and Federal Reserve officials, according to a senior Treasury official.

Mr. C. Fred Bergsten, Treasury Under-Secretary for International Affairs, said at the weekend:

"The consensus formed in the Administration in the historic week between October 24 and November 1 last year endures."

During that week the Administration had at length agreed on the necessity for monetary restraint as a key component in its anti-inflation policy, he told a Columbia University-Dillon Read policy seminar.

The only difficulty now was on the degree of effective restraint already achieved.

If the economy showed more strength than was suggested by recent statistics, then policy would be tightened further.

Mr. Bergsten said that the experience of the last two years showed that the floating exchange rate system imposed a more effective external discipline on U.S. economic policy than the previous system of fixed rates.

"Although it took us some time to learn this, I think we can conclude that the adjustment system does work and that in future it will work rather more smoothly."

Mr. Paul Volcker, President of the Federal Reserve Bank of New York, agreed that the November 1 statement by President Carter had marked an historic turning point in the U.S. monetary policy, and said that from the U.S. point of view the institution of regular economic summit meetings had proved the most significant policy innovation in recent years.

He said that while meetings of officials of central bank governors had proved "fairly ineffective" in influencing policy, the summit meetings had exposed the President directly to the economic demands of U.S. trade partners.

The result was that the Administration was for the first time fully aware of the external implications of its domestic policies.

Mr. Henry Wallich, a governor of the Federal Reserve Board, discussed recent attempts by the Fed to transmit control of the monetary system by extending reserve requirements to newly important forms of deposit liabilities such as repurchase agreements.

He said that while the banking innovations did tend to distort the monetary statistics, their importance had been exaggerated.

When measured against the very broad monetary aggregates of which they were a part, they were very small, though they had naturally made a more significant contribution to the recent growth of liquidity.

Transactions in the Eurodollar market did to some extent undermine official efforts at restraint, he said, denying the argument advanced by some U.S. bank economists that the Euromarkets were simply an extension of the domestic markets.

Exaggerated

However, their quantitative importance again tended to be exaggerated. While the net size of the Eurodollar market was usually put at $300bn to $400bn (£112bn to £193bn), this greatly overstated its true influence, since this figure included large inter-bank liabilities to banks outside the Euromarket reporting net.

In addition, some Euromarket deposits were already recorded in the domestic monetary statistics of other countries.

Woolworth bid blocked

BY STEWART FLEMING IN NEW YORK

BRASCAN, THE Canadian concern planning a $1.1bn (£529m) takeover bid for the F. W. Woolworth stores group, has been blocked from proceeding with the bid pending a New York State investigation of the deal.

Mr. Robert Abrams, the New York State Attorney-General, has issued an order under the state's business corporation law blocking the transaction until an inquiry can determine whether the takeover bid provides full and fair disclosure of all relevant information to Woolworth shareholders.

He has fixed a public hearing on May 10. Brascan had hoped to launch a tender offer by the end of this month.

The delay gives Woolworth more time to fend off the unwelcome Brascan bid and negotiate its defensive merger with a U.S. discount stores group, Revco, a move it announced after the Brascan announcement.

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Investment upturn forecast in France

By Terry Dodsworth in Paris

THE FIRST significant sign of an upturn in investment intentions in France is revealed in the latest monthly poll of businessmen by INSEE, the national statistical office.

The report says that investment could increase by 7 per cent in real terms this year taking account of a 9 per cent rise in prices. It cautions that this is dependent on the general economic climate, but is nevertheless much more optimistic than a recent Bank of France survey which predicted a much flatter investment rate this year.

The forecast will encourage the Government after the heavy attacks it has received from the Gaullists for its failure to stimulate the economy sufficently.

Despite these criticisms from an important element in the Parliamentary majority, the Administration has stuck firmly to its view that the economy was beginning to come right, and opted for only limited measures in the reflationary package announced earlier this month.

This package, amounting to FFr 5.8bn ($1.3bn), was seen by the critics as too cautious. But the Government can now point to the fact that the INSEE survey, taken in March, before the measures were announced, indicates that the upturn in investment was already under way.

On unemployment, the other pressing problem in the French economy, the report is as pessimistic as most of the other forecasts flowing into and out of the Government.

It says that French industry is expecting its labour force to diminish at roughly the same rate as in 1977. This suggests that unemployment could increase by up to the 220,000 figure of last year, although job creation measures, including better provisions for the young, should reduce the overall impact.

The tightening up on manpower in industry, however, is seen to be having a healthy effect on company finances. Last year, says the survey, the ability to finance investment out of cash flow increased considerably.

Van den Bergh summonsed

By Quentin Peel in Johannesburg

GENERAL HENDRIK van den Bergh, former head of South Africa's Bureau for State Security (BOSS), has been summonsed to appear before the Government Commission investigating the activities of the former Department of Information, setting the stage for a renewed confrontation between the once all-powerful secret service chief and the South African Government.

The General, who was closely involved in the establishment and organisation of secret propaganda projects for the Information Department, has hinted that he may ignore the summons. He has already described the Erasmus Commission as a "farce," but the Government declined to prosecute him for contempt, saying it would not be in the national interest.

General Van den Bergh says he wants an apology from the Commission for dismissing his evidence as unreliable in its first report last December. He appears to be deliberately challenging the Government to take him to court, where he might then present his own version of the Information affair, with possibly embarrassing consequences for the Botha Government.

The former BOSS chief's passport was impounded earlier this year, after he was described by the Commission as a sinister influence behind the throne of Mr. John Vorster, the former Prime Minister, now State President. It is believed that General Van den Bergh's evidence implicates Mr. Vorster deeply in the Information Department activities, which have been officially condemned as a misuse of state funds.

Iranian army prepares to intervene in Kurdistan

BY ANDREW WHITLEY IN TEHRAN

HUNDREDS OF people have been killed and injured during three days of bitter fighting in the Iranian Kurdish town of Naqadeh, near the borders with Iraq and Turkey. A second ceasefire was agreed on yesterday afternoon, soon before a Government-imposed deadline to end the fighting, on pain of intervention by regular troops, was due to come into force.

The fighting is between armed militants from the Kurdistan Democratic Party (KDP), the organisation championing the Kurds' demands for full regional autonomy, and an alliance of ethnic and political opponents.

The Government broke its silence on the affair on Saturday evening to warn that it could not "remain indifferent" to the clashes—the second serious outbreak of violence in the Kurdish region within a month. Mr. Ahmad Sadr Haj Seyyed Javadi, the Interior Minister, said the fighting was a source of deep regret.

Central authority in Iran is still deeply divided between Dr. Bazargan's provisional Government and the secret Islamic Revolutionary Council (ISC), and Tehran can ill afford to show itself as impotent in the face of provincial explosions of this sort. The lack of reliable Army units is still a major problem.

Central forces composed of regular troops and Islamic militiamen from the embryonic "Guardians of the Revolution" were sent to Orumiyeh, the Provincial capital, on Saturday night aboard three military transport aircraft. They were to intervene if the ceasefire broke down, or to separate the two warring sides.

Reports from Naqadeh, a town of 100,000, yesterday morning indicated that the Kurdish forces, swelled by men from neighbouring villages, were effectively trapped inside the town. Their opponents, most of whom are Azeri-Turkish speakers and, unlike the Kurds, Shia Moslems, had surrounded the town and were blocking all roads leading in.

Both sides have been using heavy artillery and mortars, as the fighting escalated over the weekend. Local residents say clashes were so fierce at times that bodies lay unattended in the streets for several hours. A preliminary toll was at least 40 dead and 150 injured, but the final figure is likely to be much higher.

A ceasefire was agreed upon for Saturday, but never came into effect. Appeals over the radio by local religious leaders and by Army officers to end the fratricide were ignored.

Yazdi to run Foreign Ministry

BY SIMON HENDERSON IN TEHRAN

DR. IBRAHIM YAZDI has been given responsibility for Foreign Affairs in Iran's provisional Government, replacing Dr. Karim Sanjabi, the National Front leader, who resigned last week. Dr. Mehdi Bazargan, the Premier, will hold the Foreign Affairs portfolio, but Dr. Yazdi will run the Ministry on his behalf.

Dr. Yazdi, a radical who is close to Ayatollah Ruhollah Khomeini, will also remain Deputy Prime Minister for Revolutionary Affairs, a post which has made him one of Iran's most important men. He is in charge of the Revolutionary Committees, the local law-enforcing bodies.

AP-DJ adds from Tehran: A general amnesty may be declared soon in Iran, Mr. Asadollah Mobasheri, the Justice Minister, said on Saturday. The amnesty would apply only to people who did not kill or torture anyone during the Shah's reign.

Soldiers hold key jobs in new Pakistani Cabinet

BY CHRIS SHERWELL IN ISLAMABAD

ALL PAKISTAN'S key economic portfolios have been concentrated in the hands of tough-minded Army generals and bureaucrats in the new non-party political Cabinet announced at the weekend by the military ruler, General Zia-ul Haq.

The move paves the way for difficult economic decisions which may be needed in the coming weeks before the June budget and the Paris meeting the same month of Western creditors in the Aid-to-Pakistan consortium.

Mr. Ghulam Ishaque Khan, probably the most powerful civilian in the martial law Government, adds the Commerce Ministry and Deputy Chairmanship (behind General Zia) of the Planning Commission to his existing portfolio of Finance.

Lt. Gen. Fiaz Ali Chishti and Lt. Gen. Ghulam Hassan, both Army corps commanders, who in some people's view could pose a threat to General Zia's own position, have each been given important economic portfolios.

The old all-civilian Cabinet was dissolved after the Pakistan National Alliance parties withdrew their ministers. Of the 13 new ministers, six are connected with the armed forces.

None will be allowed to contest the planned November elections if they stay in the Cabinet beyond the end of May. According to General Zia the new Cabinet's main task is to arrange elections.

General Zia said, however, that the elections would be held under martial law, which would only be lifted with the installation of the new Government. He insisted he had no political ambitions himself, but he reaffirmed his determination to introduce two major constitutional amendments.

One of these would give the armed forces the right to intervene in Government at times of political crisis without having to resort to a coup. The other would redress the imbalance of power between the President and Prime Minister. Under the 1973 constitution the President is a mere figurehead.

He also reaffirmed his claim that Pakistan's nuclear programme was for peaceful purposes. Asked directly whether Pakistan was building a uranium enrichment plant, he replied: "Pakistan is indulging in no such activity."

Afghan fighting flares

FIGHTING BETWEEN units of the Afghan armed forces and Muslem rebels opposed to the Socialist Government in Kabul appeared to be on the upsurge yesterday, only five days before the regime of Mr. Nur Mohamed Taraki celebrated its first year in power.

Dissident groups claiming responsibility for the clashes have sought to intensify the fighting over the past few weeks, after calling for a Holy War against the Kabul Government. The conflict is severest in the eastern provinces of Kunar and Paktia.

In a tough weekend speech before Khalq (People's) Party workers in Paktia, Mr. Taraki warned "reactionaries of the region"—meaning Pakistan and Iran—not to disturb the peace of the region. He said they were committing "aggression" against Afghanistan "directly and indirectly."

Israeli retaliation expected

BY IHSAN HIJAZI IN BEIRUT

A SMALL Palestinian rejectionist organisation, the Palestine Liberation Front (PLF), has claimed responsibility for the weekend's guerrilla attack against the Israeli resort of Nahariya.

Four Israelis including two young girls and two guerrillas were killed in the raid while two other guerrillas were captured after both were wounded in a clash with Israeli troops.

According to a communique issued here, the operation was named after the late Egyptian President Gamal Abdel Nasser. A guerrilla source said the objective is to urge the Egyptian people to rise against President Anwar Sadat and the peace treaty he has concluded with the Israelis.

A general alert has been declared by the guerrillas in Southern Lebanon and at Palestinian camps here in anticipation of a large-scale Israeli reprisal for the raid on Nahariya.

Israeli retaliation is bound to complicate matters in Lebanon. A highly complex situation emerged last week when Major Saad Haddad, Commander of the Israeli-backed Christian militias, made a unilateral declaration of independence in the enclave he controls close to the Israeli border.

Major Haddad and his militias have threatened to expand their territory which they call "Free Lebanon." Yesterday they served an ultimatum on the Moslem village of Ebelel-Saki on the border of their enclave to join them, failing which it will be attacked.

Reports from Southern Lebanon said the militiamen have also laid siege to the town of Taybeh a few miles from the Israeli border. Both Taybeh and Ebel El-Saki are in the sector controlled by the UN peace-keeping force known as Unifil.

Moreover, the blockade imposed by Haddad and his men against Unifil's headquarters in Naqoura is still in force. According to accounts published in the Press today, Haddad has demanded Unifil's recognition of his self-proclaimed "Free Lebanon" in exchange for lifting the mandate. Observers said that if the harassment of UN forces continue, large scale fighting could break out in the south and the rest of Lebanon. Last night Syrian troops bombarded Christian militia positions in Beirut eastern suburbs.

Sadat clears way for election

BY ROGER MATTHEWS IN CAIRO

THE EGYPTIAN parliament has been dissolved and what is being officially hailed as the first multi-party general election to be held in more than a quarter of a century will take place on June 7.

As in last week's dual referendum on the peace treaty with Israel and President Sadat's plans for introducing more democracy which respectively won majorities of 99.95 per cent and 99.9 per cent, so the outcome of the general election can also be safely predicted: The poll is sure to show massive backing for Mr. Sadat's National Democratic Party that may even increase the near total dominance it already exercises over parliament.

Prime Minister Mustapha Khalil confirmed in a televised speech that there would be no restrictions on the formation of new political parties to fight the election, provided their aims were within the limitations set by the relevant laws. He, therefore, did not consider it likely that there would be many parties participating as their programmes would be almost identical.

Last year the New Wafd party "voluntarily" dissolved itself after coming under fierce official attack while the left wing Unionist Progressive Party suffers regular harassment and is accused of taking orders from Moscow. The leader of the leftist party, Mr. Khaled Mohieddin, may run for re-election on June 7 in his Nile Delta constituency of Kafr Shukr. With a dozen other members of Parliament he opposed the peace treaty with Israel, but the official referendum results from his constituency showed that only 13 out of more than 36,000 voters shares this view.

The last general election was held in Egypt in 1976 under the umbrella of the monolithic Arab Socialist Union which has since been disbanded to make way for the "multi-party system."

Under the regulations that came into operation today a new party that wishes to form no longer has to show the support of 20 Members of Parliament. Instead any 50 people can found a party provided half of them are "workers or farmers" and that they present a "serious" programme which is not based solely on religion or advocates the class struggle or is in favour of a totalitarian system.

The size of Parliament is to be increased from 360 to about 392, to allow for 30 more women members and extra representatives from Sinai which under the peace treaty is being progressively handed back to Egypt.

Israel's Defence Minister Ezer Weizman had been due in Cairo yesterday to discuss the first stages of the withdrawal, particularly from El Arish, the capital of Sinai, that is due to take place later next month. The postponement of his visit was not considered here to put the timetable in any jeopardy, although there has been a marked tendency in Cairo recently to downgrade the level of official contacts with Israel.

Egypt is to be represented by an Under-secretary at the Foreign Ministry on Wednesday when the peace treaty documents of ratification are exchange with Israel at the U.S. early warning station in Sinai. It had been expected earlier that Dr. Boutros Ghali, the Minister of State, would attend.

With tension in southern Lebanon again increasing and the likelihood of further Israeli raids on Palestinian positions, Egypt finds itself in the awkward position of having repeatedly to condemn the Israeli's actions while simultaneously preparing to sit down with them to negotiate on Palestinian autonomy in the West Bank and Gaza Strip.

U.S. and Israel sign tariffs pact

By L. Daniel in Tel Aviv

AN AGREEMENT has been signed here under which the U.S. and Israel will reduce tariffs on trade worth about $500m annually. The agreement was signed by President Carter's special trade representative Mr. Robert Strauss during his special mission to Israel and Egypt and Mr. Gideon Patt, Israel's Commerce Minister.

The trade agreement was negotiated within the framework of the GATT multilateral trade negotiations.

The pact will reduce or eliminate tariffs on such Israeli products as chemicals, polished diamonds, textiles, cheese and other agricultural and industrial products sold to the U.S. and American goods, ranging from machinery, engines, semi-conductors, films, tools to a variety of industrial and agricultural commodities sold to Israel. Israeli exports will also be facilitated by the easing of other barriers such as U.S. recognition of Israeli standards and trade codes.

Israeli exports to the U.S. totalled $700m in 1978 and Israel imported $1.1bn worth of goods from the U.S. last year.

Meanwhile, Senator Abraham Ribicoff, who is a member of the delegation, said that he would try to get the terms of special U.S. aid to Israel changed so as to increase the proportion of outright grants to loans to 50-50.

The U.S. has agreed to provide Israel with $3bn to help finance the withdrawal from Sinai and the erection of alternative airfields and army bases in Israel. At present Israel is to receive only $800m in grants and the rest in loan form.

● The first trade deal between Egypt and Israel is likely to be the sale of chemical fertilisers by Israel to assist Egyptian agriculture, with the U.S. participating in the cost. This possibility was raised during the talks with the American delegation.

$15m export credit for Algerian order

By Our Foreign Staff

LAZARD BROTHERS has arranged $15.5m export credit guaranteed by Britain's Export Credits Guarantee Department for Societe Nationale de Constructions Metalliques of Algeria. The funds are being provided by National Westminster Bank.

The loan will finance the contract awarded recently to ABMTM of the UK for the supply, installation and commissioning of machine tools for a factory to be built at Relizane. ABMTM, which will also be responsible for the project management including training at the Algerian plant, will be placing supply contracts with some 70 subcontractors in the machine tools industry over a period of two years.

The loan agreement for the export credit was signed in London on Friday together with a further agreement for a $4m Eurocurrency loan.

Rom River in Kuwait venture

By Michael Cassell

RUGBY PORTLAND Cement's Rom River has entered a joint formed a joint venture in Kuwait to manufacture and supply steel reinforcement products in the Gulf.

In its first overseas project, Rom River has entered a joint venture with Mohamed Abdulmohsin Kharafi, the Kuwaiti building and civil engineering contractors and developers, to form the Kuwait Steel Reinforcement Company. Rom River will have a 30 per cent share in the joint venture although a spokesman for the company declined to state the extent of its investment in the new project. The UK company will manage the plant.

Chrysler to resume supply of components to Iran

BY SIMON HENDERSON IN TEHRAN

THE IRAN National car company has reached agreement with Chrysler UK to resume supply of components disrupted by the country's revolution but political uncertainty still surrounds the operation of the company's main Tehran factory.

The sale of 124,000 kits for the year beginning April 1979 was agreed with a Chrysler UK team which visited Tehran 10 days ago. The contract is believed to be worth about £130m. The kits comprise transmission, crankshaft, carburetters and dashboard equipment of the Hillman Hunter model, known in Iran as the Peykan.

However, work at the factory has still not returned to normal after the four month stoppage caused initially by supplies being held up by customs strikes and then by the widespread anti-Shah protest. Control of the plant is only nominally in the hands of the management and employees are being encouraged by the new Islamic Revolutionary Party which supports Ayatollah Khomeini to gain greater control.

The Iranian crisis led to 1,500 workers at Chysler's factory in Coventry being laid off for 11 weeks and, until this present agreement, it was thought they would be made redundant.

Production is presently at between 6,000 and 7,000 cars a month, out of a planned 11,000. There are two shifts operating in the 12,000 man labour force but only for six hours each, instead of the usual eight. Workers are getting full wages.

Iran National has postponed a decision on the future of its next model, the Peugeot 305, until next January, according to Dr. Mallah. The company orginally signed the contract with Peugeot in November, 1977, and the first cars were expected to be produced this autumn. At present only the shell of the factory is complete.

The company's ownership is also in doubt. A process of nationalisation has started with some management functions being taken over by officials from the Ministry of Mines and Natural Resources. Workers say the former owner, Mr. Mahmoud Khayyami, has gone abroad.

Some of the company's shares are believed to have been owned by the Pahlavi Foundation, a body controlled by the Shah, and in the eyes of the new regime this would be an added reason to take over the plant.

● The 1,200 Chrysler car workers at the Coventry engines plant resume work today. They are able to do so under a recently approved Government work sharing scheme aimed at avoiding continued layoff and redundancy.

At least one day's work a week is guaranteed under the new system and for top skills employees in Chrysler this means about £70 a week wages. The Government pays 75 per cent of the basic wage and Chrysler the rest.

U.S. replaces Britain as S. Africa's main trading partner

BY QUENTIN PEEL IN JOHANNESBURG

BRITAIN WAS finally toppled last year from its previously unchallenged position as the major trading partner of South Africa, and replaced by the U.S., according to the latest trade figures issued by the South African Department of Customs and Excise.

Already trailing West Germany as South Africa's major supplier of imports—a reversal which took place in 1974—Britain has ceded its place as South Africa's principal market to the U.S. Combined imports from and exports to Britain totalled R2.26bn ($2.67bn) in 1978, compared with R2.34bn ($2.75bn) to the U.S. Gold bullion exports, and oil and military imports, are not included in the figures.

Britain's imports from South Africa actually fell by 8.4 per cent to R1.22bn, whereas U.S. imports grew by more than 70 per cent to R1.35bn. Major factors in the U.S. increase were price rises for diamonds and platinum, and both price and volume rises for Krugerrands. On the other hand, Britain's base metal, mineral products and agricultural imports all declined in value.

The South African figures show some startling increases in both imports and exports from individual countries, in a year when South Africa's total merchandise exports increased from R6.3bn ($7.4bn) to R7.4bn ($8.7bn). Imports from Argentina, for example, increased by exactly 100 per cent, although still a relatively insignificant R9.8m. France was close behind with a 98.5 per cent increase to R475.5m—including one R100m container ship, but also machinery and electrical equipment for the Sasol scheme.

Imports from West Germany increased by a respectable 37 per cent, to keep that country top of the suppliers table with R1.27bn ($1.5bn), followed by Britain at R1.04bn ($1.23bn), an increase of 23.8 per cent on the recession year of 1977.

In terms of South African exports, Switzerland registered the biggest percentage rise, a 113 per cent increase to R463m, attributable largely to increased sales and value of Krugerrands. Imports from Switzerland also rose by almost 40 per cent, mainly accounted for by traditional imports such as machinery, chemicals and precision instruments.

South Africa's second fastest growing market was Israel which bought R58m worth of South African products, a 95 per cent rise, with steel products and coal most significant.

Overall, South Africa's merchandise exports increased last year by 18 per cent, not quite enough to offset the increase in merchandise imports. Bullion sales thus accounted for the entire increase in the current account surplus from R465m in 1977 to R1.4bn in 1978. Net gold output last year totalled R3.86bn.

Diamonds remain the second most important South African export after gold, accounting for more than 13 per cent of the total. Iron and Steel are also major export earners, with ISCOR, the state steel corporation, expecting to earn R400m in the year to June 30. Uranium exports have shot from R70m five years ago to about R500m a year at the present rate of exports.

Coal has been the other major South African export success. Production is planned to increase by 50 per cent this year from last year's 14.5m tons to 22m tons.

In spite of a bad year for agriculture, exports are likely to show some further real growth in the current year, although possibly not at the same rate as in 1978.

In spite of a bad year for agriculture, exports are likely to show some further real growth in the current year, although possibly not at the same rate as in 1978.

Whereas the uncertainty in the world economy will boost fuel exports such as coal and uranium, and inflation hedges such as gold and diamonds, it will be a negative factor for other commodities.

Soviets curb information on trade and industry

BY DAVID SATTER IN MOSCOW

THE SOVIET UNION has stopped publishing monthly industrial production results in the latest of a set of moves to reduce the availability of information about the Soviet economy.

Ekonomicheskaya Gazeta, a weekly newspaper, has customarily published monthly industrial production results on the Soviet economy but these did not appear for January or February.

No explanation was given, but diplomats were told that the industrial result would now be issued on a quarterly basis, which will make it more difficult to form a detailed picture of the situation of specific Soviet industries.

The end of monthly industrial reports comes amid increasing Soviet restrictions on the availability of information on Soviet foreign trade.

Ekonomicheskaya Gazeta contained no information in its recent foreign trade review for 1978 on the volume or value of Soviet energy exports. This represents a definite change in policy.

In its article last year on Soviet foreign trade for 1977, the newspaper gave a value for oil exports but no volume total, whereas information on oil, gas, and coal exports for 1976 included data on both volume and value.

Export statistics for ferrous metals, non-ferrous metals and coal were at one time broken down into export categories, and each product's use listed, with tonnage and value.

But in the last available edition of the foreign trade handbook, covering 1977, only a value figure is given for ferrous metals, which are taken as a whole. At the same time only a value figure is given for solid fuel experts, also taken as a whole, and no information of any kind is given on non-ferrous metals exports.

Jordanian phosphate talks

By Rami G. Khouri in Amman

THE PROSPECT of significant Russian involvement in exploiting some of Jordan's untapped mineral resources has become more likely after the recent visit of a team of Soviet technical experts to Jordan to investigate the feasibility of two projects.

The first is the construction of a complete mine site and beneficiation plant to produce raw phosphate rock at Shidiya in south-eastern Jordan.

The Soviet Union was asked by Jordan several months ago during the visit to Moscow of Crown Prince Hassan to consider providing, installing and starting up a complete mine.

Jordanian officials say they would like the mine to produce 3m tons a year of raw phosphate rock.

The Soviet technicians also held talks on a £150m thermal power station

SHIPPING REPORT

Rising trend in tanker rates

BY LYNTON McLAIN

TRADING ACTIVITY in tanker and dry bulk cargo trades continued with rising freight rates last week.

There was demand for tankers of all sizes, particularly in Europe, and very large crude carriers and ultra large crude carriers trading out of the Gulf gained charters for most destinations.

Activity in Indonesia, although less pronounced than in the Gulf, was sufficient to give owners of medium size tonage worthwhile returns. Only the African and Caribbean sectors remained quiet with few signs that rates would rise.

There was an increased demand for combination carriers in the dry bulk trades, with a resurgence of coal trade to Japan.

More oil tankers operated in grain trades at the end of March compared with the previous month, according to figures published by John I. Jacobs and Company. There were 10 vessels, with a total of 421,245 deadweight tonnes carrying grain in March against eight tankers totalling 350,989 dwt in February.

Improvements in large bulk carriers were marginal last week as rates in the Atlantic bulk trades continued their upward movement. The rates in the Atlantic market, with U.S.$6,000 per day for a 27,000 dwt vessel on charter for the UK or the Continent, again showed better returns than in comparable trading over the Pacific, where the rate last week was U.S.$ 5,000.

In the tanker chartering market, a 237,000 dwt vessel for charter between the Gulf and the West gained Worldscale 40, for loading at the end of the month.

London brokers said last week that these rates would be maintained for the time being.

For the smaller tankers between 120,000 dwt and 150,000 dwt, rates remained stable at Worldscale 50/52½ for trading between the Gulf and the West.

The H. P. Drewry shipping economics report for March showed that tanker tonnage laid up or idle for at least two months fell by only 0.1m dwt to 30.4m dwt over the month. The total including idle combined carriers was 33.5m dwt.

The company said March had been an active month for tanker ordering, with 32 tanker orders placed. Thirteen of the tankers were of 79,999 dwt and there were 10 of 85,000 dwt, with the balance between 38,000 and 58,000 dwt, emphasising the growing importance of this sector.

A total of 19 tankers, including two VLCCs were scrapped, with a total of 1.7m dwt.

World Economic Indicators

FOREIGN EXCHANGE RESERVES (billions U.S. $)

	Feb. '79	Jan. '79	Dec. '78	Feb. '78
U.S.	6.305	5.198	4.374	0.188
U.K.	16.034	15.563	15.486	19.847
W. Germany	38.464	40.466	42.376	32.918
France	8.993	8.711	8.385	4.462
Italy	11.370	11.265	10.426	7.610
Holland	4.132	4.078	3.947	3.766
Japan	28.423	28.841	28.896	21.435
Belgium	2.663	2.663	2.637	2.604

Source: International Monetary Fund

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UK NEWS

Work bans help boost National Savings

By Eamonn Fingleton

INDUSTRIAL ACTION which prevented savers making withdrawals, helped boost the National Savings Department's total funds under management by £195.9m last month to £11.572bn.

This means that in the last financial year the department's funds rose by £1.44bn, an increase of 14 per cent on the April 1978 total of £10.128bn.

Officials estimate that industrial action by civil servants, which has closed one of the department's computer centres and frozen million of savers' holdings, meant that repayments in March, at £93.5m, were between £25m and £50m lower than they otherwise would have been.

However, savers have been able to make new investments and the 18th issue of National Savings Certificates, introduced in January, remained a buoyant seller last month, bringing in a further £89.8m.

Record sales

The net increase in savings under management in the last financial year is down on the increase of £1.880bn for the previous financial year. This is due principally to an outflow of institutional funds from the National Savings Bank investment account. About £400m invested by institutional depositors at a time of particularly high interest rates in 1977 was withdrawn in 1978 giving the investment account a net decrease of £369m for 1978/79.

The success of the 18th issue of National Savings Certificates, yielding 8.45 per cent tax free over five years, contributed significantly to the record sales figure of £1.202bn for fixed-interest National Savings Certificates in 1978/79. The index-linked retirement issue of National Savings Certificates also performed well, with sales for the year of £248m. They were boosted by an increase in the maximum holding from £500 to £700.

Report soon on building society's £7m collapse

BY MICHAEL CASSELL

THE LONG-AWAITED report on the collapse of the Grays Building Society, which left £7m missing and sent shock waves through the building society movement, is due to be published in the next few weeks.

The investigation was by Mr. Ian Hay Davison, a leading chartered accountant, on behalf of the Chief Registrar of Friendly Societies.

It began in March, 1978, within days of the death of Mr. Harold Jaggard, the Grays chairman and secretary, and the disclosure that millions of pounds could not be accounted for by the £11m society.

An inquest later decided that Mr. Jaggard killed himself hours after auditors spotted the discrepancies.

The affair dealt a major blow to the building societies, which acted quickly to prevent the collapse from having repercussions throughout the movement.

After legal difficulties had been resolved, the societies contributed to make up the Grays losses, and the small East London society was taken over by the Woolwich.

The societies have since formalised contingency arrangements to cope with any similar collapse in the future.

Changes certain

Although the contents of the report are being closely guarded prior to publication, it is certain that several changes affecting operation of building societies will be recommended.

More powers for the Chief Registrar of Friendly Societies, the movement's "watchdog," are expected to form a major element in the recommendations, possibly involving spot checks on societies' accounts and the ability to direct transfers of engagements where funds are potentially at any kind of risk.

It seems likely that the size of the Registrar's Office would have to be substantially increased if it had to cope with wider monitoring powers likely to be bestowed on it.

The report is also expected to make some recommendations involving accounting procedures as they affect societies, and to suggest that in future no one individual should hold the position of chairman and chief executive of a building society.

Industry contest draws 1,600

BY NICHOLAS LESLIE

MORE THAN 1,600 people have responded to a competition aimed at getting new business ventures established in the North-East.

Sponsored by Shell (UK) and instigated by Enterprise North, a business advisory agency, and the Durham University Business School, the "Build Your Own Business" competition carries a first prize of £10,000, a second of £5,000 and £2,500 for third place.

The 1,600 respondents have put forward 360 business proposition, a high figure compared with some similar competitions, especially given the condition this time that winners must set up business in the northern region.

The competition has had considerable spin-offs. New Town Securities, a joint venture of the National Enterprise Board and Midland Bank, is to offer up to £25,000 to each of the finalists setting up in the region and accepted by the competition judges as commercially viable.

Industrial and Commercial Finance Corporation (owned by the big banks and the Bank of England) will consider providing start-up capital for all competitors judged as viable.

In addition, two new town development corporations—Washington and Peterlee—have offered help, including a factory, rent free for two years, housing at normal rent or free for a period, and a grant of £750 towards re-location costs.

Mr. John Eversley, director of the competition, says the quality of competitor has been high.

Judging will begin in the week of May 4 and the final will be held in June.

Car secrecy could kill, claims Safety Council

FINANCIAL TIMES REPORTER

ALLEGATIONS that British car drivers are in danger of being injured or killed because of the "ludicrous secrecy" surrounding car safety were made yesterday by the British Safety Council.

The council accuses the Department of Transport of complacency over car safety because it says, it "continues to rely only upon a voluntary system of exchange of information and public notification between itself and motor-car manufacturers.

In particular the council is concerned at U.S. reports of a potential manufacturing defect on the front seat back rests of the Ford Capri models between 1971 and 1973. The council says that the alleged fault, which it claims has been known about in the U.S. for three years, involves a failure in the seats' reclining mechanism, allegedly allowing them to collapse.

A fitted lounge for the goldfish

By Lisa Wood

A £450 AQUARIUM fitted into a piece of wooden living room furniture was exhibited yesterday at the 17th annual British Pet Industry exhibition at Harrogate.

More than 160 companies from the UK, U.S., West Germany, France and Belgium are exhibiting at the two-day, trade only exhibition sponsored by the industry's trade journal, Pet Store Trader.

Record

With an annual turnover of £420m at retail values the pet products industry has seen an 8 per cent a year average increase in sales over the past ten years.

This year's exhibition is the biggest ever, attracting a record number of buyers, many from overseas, according to Mr. John Yates, the organiser.

Dogs are still the most popular pet but the gap between interest in them and interest in cats is narrowing. People now spend more money on buying a cat—a Burmese rather than an alley-cat—and spend more looking after them.

Food for dogs and cats accounts for 90 per cent of the £850m a year spent on animal foods in the UK.

Titbits

New products at the exhibition include fresh treats for animals. Chocolate drops for dogs have been around for some time. Now other less privileged animals, particularly cats, are having special titbits produced for them too.

Another trend is the increasing popularity of fish as pets, particularly as manufacturers have overcome problems associated with sea water aquariums.

Corporate deficit confirmation likely

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

A DETERIORATION in the financial position of industrial and commercial companies is expected to be confirmed by new official figures later this week.

Preliminary estimates published at the end of last month indicated that the financial position of companies came under pressure towards the end of last year. This was the result of a rise in stock appreciation, the amount required to finance stocks of goods, higher interest payments and increased capital spending.

The financial deficit of the corporate sector rose from just under £400m to £876m between the July to September period and the last three months of 1978 indicating the deficit after payment of taxes, dividends, capital transfers and gross capital spending of all kinds.

This is likely to have meant a rise in the net borrowing requirement of industrial and commercial companies in the fourth quarter and shows borrowing from other parts of the economy less the acquisition of various financial assets. Detailed figures are due to be published on Tuesday.

A further deterioration is likely to have occurred during the first few months of this year as a result of one impact of the industrial disputes. But the underlying liquidity position is stronger than during the 1974 squeeze.

There are no other significant economic statistics due this week, or before the election on May 3.

A first preliminary estimate of consumer spending in the January-to-March period is due to be published this afternoon. The estimate is based mainly on retail sales data for the period. The volume of spending in the shops dropped by nearly 1½ per cent between the final three months of 1978 and the first quarter of this year.

The Department of Employment Gazette is due to be published on Thursday morning. It is likely to contain quarterly estimates of employees for the end of last year.

Windscale nuclear leak 'largest in its history'

BY MAX WILKINSON

GOVERNMENT SAFETY inspectors are investigating a leak of radioactive material at Windscale which is said to be the largest in its history.

Discovery of the leak was announced last month, but at that time no estimate of its size was given publicly.

British Nuclear Fuels, which runs the Windscale reprocessing plant, has disclosed that more than 2,000 gallons of radioactive material has seeped into the ground. This represents about 30,000 curies of radioactivity.

The seepage is all contained in the boundaries of the Windscale site and is not expected to seep as far as the boundary fence in the next millennium.

The leakage was discovered in routine examinations of boreholes on the site.

The Department of Energy said yesterday that all such leakages were investigated by the Nuclear Installations Inspectorate, which would report to the Energy Secretary.

British Nuclear Fuels said: "The leakage represents a lot of curies, but it is all in the ground, and under strict control, so it is no hazard either to the workers on the site or to the general public."

New Rolls engine passes first tests

By Lynton McLain

BRITAIN'S latest jet engine, the Rolls-Royce RB211-535, has had a highly successful first test-bed run at Derby.

The engine was backed by £250m of Government aid in September.

But in December it became the centre of an inter-departmental Government argument when it became publicly known that the Treasury had warned the Industry Department that the project could lose £170m.

Rolls-Royce has firmly denied any prospect of a loss. It expects profits of up to £500m over the life of the engine. Order books are already well-primed, with £300m worth of sales from British Airways and Eastern Airlines of the U.S.

The airlines will use the 535 engine to power 40 new generation Boeing 757 twin-jet aircraft for use in the 1980s. British Airways has ordered 19 of the aircraft at a cost of £400m and Eastern Airlines has options on an extra 24.

5,000 jobs

Rolls-Royce is confident that the engine, which is a smaller version of the existing RB211 series, will power airliners into the 21st century.

The version of the 535 tested last week was the first development engine, and the company has already made the parts for 10 further development engines. Six of these will run at Derby before the end of the year.

The engine will be certificated for airline service by mid-1981, with the first production engines leaving Derby the same year for the first flight of the Boeing 757.

The aircraft will be delivered in 1982. British Airways and Eastern will start 757 services in the following year, when up to 5,000 jobs in Rolls-Royce are expected to be taken up by the 535 programme.

CSI considers aid to enforce accounts guide

BY MICHAEL LAFFERTY

THE COUNCIL for the Securities Industry will consider at a meeting on Friday whether the City should help enforce accounting standards on companies.

The issue is one of the main items on the council's agenda, and is being discussed at the request of the main accounting bodies.

The accountants believe the CSI offers the only mechanism for enforcing accounting standards by self-regulation. They are disappointed, and in some cases highly critical of the Stock Exchange for failing to enforce the stipulation in the listing agreement that quoted companies are expected to observe accounting standards.

The Stock Exchange has recently responded to an accountant's discussion paper, indicating that it does not wish to play an active role in standards' enforcement.

In spite of initial indications that the CSI might take the same attitude as the Stock Exchange, officials at the English Institute of Chartered Accountants are now more optimistic.

NCB buys land to resettle farmers

THE NATIONAL COAL Board has bought the 1,300-acre Butterley Park estate, Ripley, Derbyshire, for about £2m. It includes a golf course, four farms and the ruins of Codnor Castle.

It was put on the market by Swains Estates. An NCB official said yesterday: "It is proposed to use the estate to resettle local farmers whose land is needed for open-cast mining.

"The Ormond Fields Golf Club forms part of the estate, but we do not propose to keep that land, and it is expected to be offered to the club."

Consumers' guide tells how to save money

A GUIDE to ways of cutting the cost of living is published today by the Consumers' Association. The association has drawn on reports from its monthly Which? magazine to compile the book.

It is suggested that the motorist who does not use his car regularly might be better off if he sold it and relied on hiring a car when necessary. The guide points out some hidden costs of car ownership. If credit is not given for an out-of-order telephone, the user is advised to "deduct the amount yourself from the next payment and send a note explaining what you have done."

Cutting Your Cost of Living. Consumers' Association, Caxton Hill, Hertford, £2.50 (including post and packaging).

Price warning

Distribution costs are almost certain to rise soon because of recent increases in the price of diesel fuel, the Road Haulage Association warned yesterday. It said that for every penny a gallon price increase in Derv, total operating costs would increase by up to ½ per cent, depending on operational circumstances.

Paint sales up

Paint sales in Britain last year were 3 per cent up on 1977 in volume terms, with the decorative and vehicle refinish paints sector more buoyant than the average, according to a Paintmakers Association report. The outlook for the industry remains "somewhat uncertain."

Asda Villa

The Asda stores group is to open a 78,000 sq ft superstore beside the Aston Villa football ground in Birmingham today. It will close on the Saturday afternoons when Aston Villa play at home, so that shoppers will not be mixed up with football fans.

Private sector airlines praised for growth

By Lynton McLain

GOVERNMENT restriction of British airline activities will prevent a major rise in the fortunes of the private airlines in the foreseeable future, according to a survey of the private sector published at the weekend.

The private sector has shown "god volume growth, a strong improvement in productivity and an improving financial performance," the Jordan Survey report said. Its workload rose by 40 per cent in the three years to 1977.

Productivity in private airlines is more than four times as great as in the State-owned British Airways, according to the report.

Airlines — Passenger and Freight, Jordan Surveys, Jordan House, Brunswick Place, London N1 6EE, £45.

Estate agents dig in

BY ANDREW TAYLOR

THE PRICE COMMISSION says it is still considering whether to prosecute seven estate agents who have so far declined to complete a 15-page questionnaire about their businesses.

The agents were asked to fill in the form under Section 15 of the Counter-Inflation Act, 1973. The Price Commission said that the deadline for completing the forms had expired, but that it was still considering whether to place the matter in the hands of the Director of Public Prosecutions.

The Commission had sent forms to 500 agents, selected at random, seeking details of their fees and profits in the past three years.

Originally 16 refused to complete the form.

Deloitte Haskins changes

Financial Times Reporter

A REPORT in last Tuesday's paper on senior management changes at Deloitte Haskins and Sells said they were effective from May 1. This is not the case with regard to Mr. Stanley Wilkins, who retains the position of partner in charge of the London office until April 30, 1980, when he retires from the partnership.

Setting a microcomputer to catch a thief

An exhibition of security devices, which opens at Olympia, London, today, shows how the latest technology, especially micro-electronics, has been harnessed to offer some diverting challenges to the native cunning of the burglar as well as providing more reliable system of fire protection. Max Wilkinson reports.

ELECTRONIC SECURITY equipment is becoming so advanced that it is almost possible to feel a twinge of pity for the dishonourable profession of thieves.

For the wretched burglar will soon require a degree in electrical engineering if he is to avoid being sprayed with indelible dye, tape recorded, filmed or screeched at by computer-controlled devices.

And even the semi-skilled thief who uses the traditional method of shinning up a drainpipe may now come up against modern technology in a thoroughly unpleasant form. Drainpipes and other useful grips can now be painted with a coating which looks glossy but never dries, so that the hapless climber will suddenly find himself clinging to a greasy pole.

Fire prevention, safety and security equipment is now estimated to have achieved annual sales in the UK of about £1.3bn, but it is electronic fire and security equipment which is showing the most interesting growth.

Today at Olympia, London, many of the latest gadgets and electronic systems are on display at the five-day international fire, security and safety exhibition and conference.

Mr. Victor Green, the conference organiser, says that because of the strict safety and health regulations in the UK, Britain is among the leading suppliers of equipment for what is called the "loss prevention" industry.

Modern electronics with low cost microcomputers and other complicated components have made security equipment much more advanced yet easier to use.

At the same time costs are continually falling so that many highly effective smoke detectors, fire and burglar alarms are now within the price range of at least the better-off householder.

The development of intruder alarms is a good example. Only a few years ago, many were a source of frequent trouble because they were set off accidentally by cats, dogs or electrical faults.

They sounded false alarms so often that they were sometimes ignored during a real break-in.

These burglar alarms were usually set off by switches concealed under carpets and by doors and windows. More modern systems detect a burglar by sending out sonic or electromagnetic rays into the room or by detecting the heat (infra red) rays emitted by a moving body. Microwave systems emit high frequency radio waves which are picked up by a receiver capable of detecting whether the rays have bounced off an intruder.

However, an important feature of the best modern systems is that they have a certain amount of analytical ability. Thus they will not sound the alarm if the radio waves are momentarily disturbed, but only if they are disrupted in a pattern which corresponds to the movement of a human being.

This is one of the ways in which manufacturers are trying to make their systems more reliable. Another example is the use of computer scanning of a large number of security sensors on a single site. The security man in the control office no longer has to watch a large number of dials or screens. The computer will automaticaly sound an alarm if one of the sensors is disturbed. The security man can then investigate or, in some systems, direct a television camera on to the spot by remote control.

Large systems of this sort may be expensive, but portable infra-red burglar detectors can now be bought for as little as £70. These single items are sold either for domestic use or for special purposes such as protection of drug cupboards in hospitals, or of premises such as off-licences and jewellers.

For executives and politicians anxious about terrorist attack, an impressive range of protection devices has been developed over the last few years. The cheapest and perhaps most useful is a small screecher which emits a piercing thriek when a button is pressed. This is also sold as a protection against rape.

There is also a silent alarm button which will automatically dial a security agency, which will then contact the police. These devices are now being used widely in banks and jewellers, because they can be operated with the foot while the staff have their hands in the air.

Some senior executives are also beginning to instal this type of button by their bedsides.

For detecting letter bombs and explosives in cars, Pye of Cambridge have developed an electronic sniffer which can be held in the hand, and fits neatly into an attache case.

Attaché cases also can be fitted with another device which sprays indelible dye on anyone who tries to snatch the bag away. This is used less by executives, however, than by security men transferring cash and other valuables.

The exhibition shows also a range of more obvious protective devices—bullet-proof glass, flak jackets, bullet-proof tyres and reinforced cars.

Security science can also move into the offensive in tracking down fraud. Insurance investigators can buy cine cameras concealed in brief cases, lie detectors and tape recorders concealed in an attaché case, which can be operated just by fingering the handle.

These and similar devices are used for investigating suspected fraudulent insurance claims.

Perhaps one of the most interesting developments, however, is the use of special tags which are attached to every item for sale in shops to prevent shoplifting. The tags are removed when a sale is made: if a customer tries to take an item through the door with one still attached, a security alarm is set off. At a time when shoplifting costs retailers some £650 a year, this type of system is sure to have a wide market if it can prove to be reliable and efficient.

Record for U.S. paintings

SALEROOM

BY ANTONY THORNCROFT

RECORD PRICES at auction were paid for the works of 33 artists at Sotheby Parke Bernet in New York on Friday in what proved to be the best ever sale of works by U.S. painters. It totalled £2,117,875 net, with just 4 per cent unsold.

The top price was the £185,000 for a scene which is part of American folk history "Washington Crossing the Delaware." The painting, by Eastman Johnson and based on a work by Emmanuel Leutze, fetched a record price for the artist and the second highest price ever paid for an American painting.

A record for an American still life (and the artist) was the £150,000 from another U.S. collector for "Still Life with Violin" painted in 1885 in Paris by William Harnett. A Los Angeles dealer paid a record sum for an American watercolour of £75,000 for a tiny painting by Winslow Homer.

In Britain, King George VI's personal 1936 Lanchester 18 saloon, which he used until his death in 1952, was bought at the weekend by a London dealer, Mr. Mike Berry, for £1,800. The sale of veteran, vintage and special interest vehicles by Sotheby's at Donington Park, Leicestershire, realised a total of £318,680.

Healey-Howe clash on tax

BY IVOR OWEN

PENSIONERS and others with low incomes will be insulated against price rises resulting from increases in indirect taxation introduced by an incoming Conservative Government, Sir Geoffrey Howe, the Shadow Chancellor, said yesterday.

In a statement issued by Conservative Central Office, he promised that "pensions and other benefits will be increased to compensate for any price increases."

Earlier, in a speech in Scotland, Mr. Denis Healey, the Chancellor, claimed that Mrs. Margaret Thatcher had committed herself to raising £4bn by putting extra taxes on the shopping baskets.

"This would raise the cost of living by 4p in the pound at a stroke," he declared.

Leading a determined Conservative move to counter the increasing Labour concentration on this line of attack, Sir Geoffrey again underlined that many essential items are not affected by VAT.

Some increases in indirect taxation would be necessary, he confirmed, to help to finance the substantial reductions in personal taxation which would be made by an incoming Conservative Government.

But, he stressed, these would not apply to housing, fuel, public transport, children's clothes and shoes.

In more trenchant terms, Mr. Norman St. John Stevas, the Conservative Shadow Leader of the Commons, accused Labour of telling "flagrant lies" in suggesting that a Conservative Government would tax food and introduce extended Health Service charges requiring patients to pay for doctors' visits and periods in hospitals.

Mr. Healey's onslaught was supported by Mr. John Silkin, the Agriculture Minister, who told a meeting at Deptford, where he is seeking re-election, that the Tories were "running scared" over the Common Market and food prices.

He insisted: "It's only Labour who will make sure you are able to buy your family's food at the cheapest possible prices. These things will not be won by a Tory Party that believes in surrender."

Sir Geoffrey Howe coupled his repudiation of Labour "exaggerations" about the impact likely to be made by increases in indirect taxation with a pungent reminder that towards the end of last week the Prime Minister declared his willingness to move in the same direction.

Labour's policies, he contended, were built on shifting sand. First the sand was shifted towards a more vindictive tax system by the "equality-mongers" on the party's national executive. Then it was shifted in the opposite direction by Labour's opinion pollsters.

Reality, Sir Geoffrey maintained, was to be found in Labour's election manifesto, which included 57 different pledges to increase spending. And it promised lower income tax as well.

The idea that this "miracle" could be achieved by securing an economic growth rate of three per cent throughout a further five years of socialist government was "beyond belief."

Mr. Francis Pym, the Shadow Foreign Secretary, in a statement on Conservative aims in securing changes in the EEC Budget, envisaged a reduction in the amount and proportion spent on the Common Agricultural Policy.

"In the longer term we must agree with our partners a method of keeping prices at a level fair to both farmer and consumer," he said.

Commenting on the fact that more revenue will require to be raised for the EEC Budget by 1982, Mr. Pym acknowledged the need to ensure that any increases in VAT contributions were at least not regressive.

Preferably, they should be progressive, so that countries with a higher per capita gross national product paid more.

City takes cautious stance

By Peter Riddell, Economics Correspondent

THE CITY is taking a cautious view of the possible impact of a Tory election victory on the stock market and on monetary policy during the rest of this year.

Several leading firms of stockbrokers have, over the last week or two, produced lengthy reviews analysing the implications of a Tory victory.

All the analysts point to the possible confidence effect of a change of government but the main influences on the market, such as public sector borrowing and the growth of the money supply, are not expected to change dramatically in 1979-80.

The main hopes for a switch, compared with what Labour might do, are over the medium-term, given the commitments to a steady reduction in the rate of monetary growth and lower borrowing.

All the brokers stress the short-term constraint resulting from their estimate that, on present policies, public sector borrowing in 1979-80 is likely to be about £10bn. This compares with the present Government's ceiling of £8.5bn, which the Tories have described as too high.

Consequently, the brokers believe that if the Tories implement their pledge to cut income tax, any offsetting action—through higher indirect taxes, lower public spending or the sale of assets—is likely to be sufficient only to reduce public sector borrowing to £8bn in 1979-80.

This view is taken by both Grieveson, Grant and Co., and Phillips and Drew. The implication is that sales of gilt-edged stock to financial institutions and the public could be no lower than over the last year. Thus sterling M3, the broadly defined money supply, is likely to grow by about 10 per cent, around the middle of the present target.

Phillips and Drew has projected only a moderate rise in gilt prices from current levels, though possibly under less volatile conditions than if Labour were returned.

Grievson Grant also suggests that the confidence factor could be of considerable help in all kinds of public sector funding and is tentatively more bullish about the prospects after 1979.

Similarly, brokers Montagu Loebl Stanley believe that the impact of a Conservative Government on the gilt market should be generally favourable.

Freddie Mansfield

Family team: Carol Thatcher (left) who has returned from Australia to help her mother's election campaign.

Spending warning

BY NICK GARNETT

A WARNING against cutting public expenditure to pay for tax reductions was issued yesterday by the National and Local Government Officers' Association.

In a 28-page policy document, Public Expenditure into the Eighties, the union rejects the argument that Britain has a penal tax structure and claims that further public expenditure cuts will hamper economic growth.

The document, which was immediately attacked by Mr. Michael Heseltine, Conservative environment spokesman, says that Britain is not a heavily taxed country and that, in any case, the example of Germany contradicts the view that high taxation results in loss of incentive.

The union says that Britain lies sixth in Europe in terms of 1977 figures for direct taxation and social security contributions as a percentage of average earnings, although it does support a restructuring of the tax system.

"Two aims which any rational tax and public expenditure system should pursue are the redistribution of income from rich to poor and the provision of high standards of public services regardless of the ability to pay.

"Those who wish to slash public expenditure in order to cut taxes seek to reverse both of those principles."

The union says that UK public expenditure is below the average for Western Europe and calls for it to be substantially expanded.

Powell rival steps down

BY STEWART DALBY

THE prospect of Mr. Enoch Powell, the Official Unionist, being returned in his marginal seat of South Down, brightened considerably over the weekend with the news that Mr. Cecil Harvey, the rival Unionist, is withdrawing from the race, one day before nominations close.

Mr. Harvey, of the United Ulster Unionist Party (UUUP) had been planning to run against Mr. Powell on a strong platform for the return to the devolved Stormont Parliament.

It was felt that in a constituency of 91,000 where the population is reported to be more than 40 per cent Roman Catholic, Mr. Powell's small majority of 3,567 would easily have been eroded had another Unionist candidate stood.

Mr. Harvey has denied that any pressure has been brought to bear on him by either by his own party or by Mr. Powell's Official Unionists.

Mr. Eddie McGrady, the SDLP candidate, said he expected that Mr. Harvey would withdraw and that he felt he could still defeat Mr. Powell on a straight race.

Rees urged to intervene over demo

HOME SECRETARY Merlyn Rees was yesterday asked to intervene in the wake of the violent clashes at a National Front rally in Leicester in which dozens of people, including 25 policemen, were injured.

Mr. George Gardiner, Tory candidate for Reigate, called on Mr. Rees to mount an immediate investigation to find out who planned the "anti-Nazi" ambush. Mr. Arthur Latham, Labour candidate for Paddington, urged him to issue new guidance to chief constables.

LABOUR and Tory leaders were accused of trying to put the voters to sleep with "soothing promises of a fantasy future." Mr. John Pardoe, Liberal spokesman on economic affairs, added: "This is the politics of amnesia, in which the harsh realities have to be carefully concealed."

A PLEA on behalf of the country's beer drinkers is to be sent to the three major political parties by the Campaign for Real Ale. CAMRA calls for a curb on beer price increases, an investigation into the large brewers' monopoly and a relaxation of opening hours.

Tory call for more open government

By John Lloyd

MOVES towards greater openness in Government, embodied in a Freedom of Information Bill, would be welcomed by the National Union of Conservative Associations, which co-ordinates the 550 Conservative constituency organisations.

The statement, contained in a letter from Mr. Alan Smith, secretary of the National Union, to Mr. Kenneth Warren, who was Conservative MP for Hastings in the last Parliament and chairman of the all-party committee for freedom of information, is evidence of growing support within the party for a Bill. The Tories are the only one of the three major parties not to make a manifesto pledge of greater freedom of information.

The principle is not regarded as being a powerful vote-catcher by any of the parties, though it has the support of a variety of institutions, including the Press. However, it is certain that it will emerge as an issue in the next Parliament.

The Government's position at Parliament's prorogation was summarised in a Green Paper from the Civil Service Department. It is a moderate document, where the commitment to greater openness is carefully balanced with the need to accord with constitutional tradition and practice.

"Nothing must be allowed to detract from the basic principle of Ministerial accountability to Parliament; and the prime aim of any new measures must be to strengthen Parliamentary democracy and public confidence in it."

However, the paper does draw attention to Government disillusion with the "catch-all" effect of Section 2 of the Official Secrets Act (under which even the most trivial official information may not be "leaked") and repeats the view that further measures are necessary.

The paper accepts that "the major argument for a public right of access is basically that those seeking information have a right to obtain what they want when they want it, subject to clear exemptions, rather than having to wait on a Government initiative or discretion to release material."

The time is now ripe, it says, "to bring this matter to a legislative conclusion."

The Liberal Party has been most forthright on the matter: its manifesto calls for "open Government accountable to a reformed Parliament" and it can fairly claim that were it not for Mr. Clement Freud, Liberal MP for the Isle of Ely, the matter would not have been brought to the stage it has.

Mr. Freud's Freedom of Information Bill was taking a stately passage through Parliament and was in report stage, much amended by Government, when Parliament was prorogued. In essence, it threw the burden on the Government to release information, and for proving a case for not doing so.

The Conservatives have hitherto appeared reluctant to commit themselves, and have still not done so.

However, a draft report from the party's working group on information technology, on which Mr. Warren sits, came down strongly for "a good Freedom of Information Act to restore 'the citizen's rights vis-a-vis the State.'"

It argues that Tories cannot "allow the administration to conceal its activities from Parliament in order to be more efficient."

Plymouth voters regard election with indifference

BY JOHN CHERRINGTON

VOTERS IN the neighbouring Plymouth constituencies of Devonport and Drake have so far treated the election with an indifference bordering on apathy. There is little in the way of poster advertising, car stickers or window cards. Without the help of the yellow pages, tracking down the local party headquarters would have been a daunting task.

The issues, with one exception, are predictable: the unions, taxes, local government reform and low wages. The exception is Dr. David Owen, who is defending a small majority in Devonport.

To some Conservatives, he is a major hate figure, an object of almost paranoic detestation, whose handling of Rhodesia and other problems is held to have led Britain to a new low in impotence and double standards.

How far this emotion is shared by the bulk of non-vocal electors, including those in the Labour Party, is impossible to say. Plymouth people don't say much, and when questioned invoke a plague on all the parties. It is possible, though, that there is a residue of imperial feeling among the many retired servicemen living in the area.

Dr. Owen's past attitudes on service pay may also have alienated some potential supporters. This could simply be a failure in communication.

He reminded me of a particularly condescending school prefect, and this manner, coupled with general disenchantment over wages, taxes and the unions, could tip the scales enough to let in Tory Ken Hughes, a Plymouth-born London businessman.

but it is feared by many

In Devonport, Labour claims the credit for having refurbished the dockyard, brought in some industry — particularly Rank Toshiba—and increased service pay substantially. But this last may be counter productive: Plymouth is a low-wage area, and I was given examples of vast differences between service and civilian earnings for comparable skills.

An issue common to both constituencies is local government reform by which Plymouth would regain some powers. Government from Exeter, the county seat, is insufferable to many, and both Tory candidates were warning the faithful of the dangers to the rates of such a move, and of yet increased bureaucracy.

Old-style meetings with hecklers are out these days, and are replaced with canvassing and small party meetings. At both Tory meetings I attended—one with seven electors the other with about 40—there was an impression that the Tories had once given a pledge to reduce or abolish local rates.

Both candidates were at pains to deny this, and were rather vague about the degree of control that could be placed on the unions. Neither did they specify how much tax relief Sir Geoffrey Howe would be able to offer.

Discontent over the unions and taxes have probably swung sufficient voters in Plymouth Drake to Miss Janet Fookes to prevent Labour's Brian Fletcher from upsetting her wafer-thin majority of 34. Union militancy has not been particularly apparent in the West Country but it is feared by many. A closed shop issue in the Rank Toshiba development has probably hardened that attitude.

The Drake constituency has no real focal point, and no centre of industry like the dockyard. It was described to me not as a town but a collection of villages, or small urban centres, surrounded by five large council estates.

Trevor Humphries

Tory bugbear: Dr. David Owen, Foreign Secretary, campaigning in his Devonport constituency.

Nevertheless, there is a very large defence element, as many dockyard workers and service families live there. Any reduction in defence expenditure would be catastrophic—and with male unemployment in the area already 8.5 per cent, it is obvious why the Tories emphasise their commitment to defence spending.

FOCUS

Plymouth

Nonetheless, I doubt it being an issue among the run of voters, although local businessmen underline the fall in spending power of the smaller ships companies these days.

Miss Fookes has a reputation as a caring constituency member and her style of sensible moderation in all things has won approval from the apparently non-political majority.

The Liberal vote in both constituencies fell substantially in October, and this largely benefited Labour. Its destination this time is unclear and in fact the Liberal effort is hard to find.

In financial and organisational strength, the Liberals come a very poor third after the military efficiency of the Tories and even Labour's shoe-string efforts. The Liberals' Drake candidate left to fight for the European Parliament and Commander Anthony Puttick was put forward as a replacement only a week ago.

The Liberal campaign—as far as it can be discerned—appears to be based on the negative proposition that the election will be decided by the disillusioned of both major parties casting despairing votes for the Liberals. This attitude could lose Liberal deposits — a fate also likely to befall the National Front and the Ecology Party.

Candidates so far.

Plymouth Devonport

Dr. David Owen (Lab), Ken Hughes (C), Michael James (Lib).

October 1974: D. Owen (Lab), Dame J. Vickers (C), N. Wasbrook (Lib), J. Hill (Ind Lib).

Labour majority: 2,259.

Plymouth Drake

Miss J. E. Fookes (C), Brian Fletcher (Lab), Cdr. A. Puttick (Lib).

October 1974: Miss J. Fookes (C), Brian Fletcher (Lab), Miss M. Castle (Lib).

Conservative majority 34.

Tomorrow: Leeds

National poll adds spice to local government elections

Colin Jones looks at the councils campaign

PUBLIC INTEREST in local elections is never very marked at the best of times. This year, with the general election on the same day, the local campaigns are wholly lost to view, and their outcome has been made more unpredictable.

For a start, turnout is likely to be nearer 70-80 per cent than the customary 30-40 per cent. Apathy which normally imparts an anti-government bias to local elections will be absent. So, probably, will be the wide swings which reflect the influence of local personalities and issues, like a row over schools policy or an extravagant rate call.

General election campaigns focus far more on the main political parties. Will the coincidence of the two this year squeeze out the Independents and other minority groupings, such as the Progressives, the Ratepayers, the Nationalists, the Democratic and other breakaway Labour groups which still control or dominate nearly a quarter of the 369 local councils up for election on May 3? Or will the voter take naturally to the habit of cross-voting, when faced with two ballot papers? In many places the ballot paper for the local elections will contain anywhere from a dozen to a score or more names.

Will the Liberal vote hold up in Liverpool and other places where the Liberals are still a local force, even if—as the opinion polls are suggesting—the Liberal vote has crumbled nationally. These uncertainties add spice to a year in which, because the Local Government Boundary Commission is still working its way through the revision of ward boundaries following local government reorganisation, there will be more than normal scope for changes in control.

Largely as a result of boundary changes, the whole council will be up for election in 292 of the areas where voting is taking place. In the remaining 77, where only a third of the seats will be at stake, the scope for changes in control will be more limited.

There are no local elections this year in Greater London or Scotland, or for the upper tier of county councils anywhere. In the Metropolitan districts (the lower tier authorities in the six big English conurbations outside London), the seats at stake were last fought for in May 1975. In the non-metropolitan or "shire" districts in the rest of England and Wales, the retiring councillors were elected in May 1976.

Both were good years for the Conservatives, 1975 especially so. Before the Prime Minister announced the general election date, the Conservative and Labour parties were both privately reckoning on Labour regaining control of about 20 to 25 local authorities.

The outcome now is anyone's guess. But, considering that the biggest anti-Government swing between two successive General Elections since the Second World War has been only just over 4 per cent (in June, 1970), Labour could well now do somewhat better in the local elections than it had been expecting, even if it were to be trounced in the General Election.

At this stage of the campaigns, the likeliest "worst possible case" for Labour would appear to be a pro-Conservative swing since October, 1974, smaller than the 10 per cent, 8 per cent, and 14 per cent the party suffered in the local elections of 1975, 1976, and 1977, and nearer to the 5-7 per cent swing since October, 1974, registered last year (when the local elections were confined largely to Scotland, where the Nationalists were in retreat, and in the bigger English cities, where the Labour vote tends to be more loyal).

Traditionally, the 36 metropolitan districts are regarded as the richer of this year's local prizes. They are bigger in population and, because they have education, housing, and personal social service powers (unlike the shire districts), they are responsible for about 80 per cent of the £4bn-£5bn now being spent annually in local services and transfer payments (taking current and capital expenditure together) in their areas.

In the "met" districts voters as a rule vote for only a third of their seats at a time (in three of the four years of the new, post-reorganisation local election cycle). The Boundary Commission has made very limited progress with redrawing ward boundaries in these areas. In three of the six districts where new boundaries have been fixed, the changes are so minor that it has been possible to assign councillors to the new wards; so only a third of them will be up for re-election in these districts (save for one ward in Oldham). Only in the remaining three districts (and the one Oldham ward) will all the seats be at stake.

So the scope for Labour to regain lost ground will be more limited in the "mets" than in the shires. The party's hopes are focused on retaining control of the 14 met districts it now runs and winning back five of the 12 it lost in 1975, 1976 and 1978 — Coventry, Sandwell, South Tyneside, and Wolverhampton (which the party lost last year) and Tameside (which changed hands in 1976).

Tameside (the Ashton-under-Lyne and Stalybridge area of Greater Manchester) and South Tyneside would seem to be Labour's best bets. Because of local feelings against local Conservative education plans, Tameside was one of the few areas to buck the national trend last year, when Labour was defending its 1973 gains: Labour then took two seats from the Conservatives and one from Democratic Labour. This year Labour needs to regain only two of the 11 seats it lost in 1975 to regain control.

At South Tyneside, where the Progressives are in charge with the support of other anti-Labour parties, but where Labour remains the largest party, two of Labour's 10 losses in 1975 made good for control to be regained. In Coventry, control would pass with a net gain of four seats of the nine Labour lost in 1975, while in Sandwell (the West Bromwich and Warley are of the West Midlands), where Labour is currently three seats short of an overall majority, the prospect is complicated by boundary changes and a whole council election.

Wolverhampton is a stiffer target. Labour needs to win back the three seats it lost in 1975 to regain control. Walsall is even tougher—all seven of the party's 1975 losses have to be recovered. Elsewhere, the hurdle created by the "one-third of the seats at a time" system probably puts a change in control out of Labour's reach, though the Conservatives could lose their overall majorities in Leeds and possibly one or two other places if Labour does really well. There would seem to be little chance of Labour recovering enough ground to wrest back control of the Association of Metropolitan Authorities (the local authority association representing London and the big city councils).

That leaves Liverpool, probably the most interesting of the "mets" this year. The Liberals (35 seats) are now in charge with Conservative support (24 seats) against Labour (40 seats). Labour's strength has held up remarkably well since 1973, declining by only one seat net in 1975 and again in 1978 and by a third seat in a by-election. The main change has been a sustained erosion of Liberal strength (11 net losses since 1973), by the Conservatives. If the Liberals were to do as badly locally as last year, the Conservatives could end up with more seats than the Liberals but after the Edge Hill by-election it would seem unwise to write off the Liberals.

In the shire districts, the pattern of this year's elections is complicated by the progress of boundary revisions. First, there are 88 districts where boundaries were re-drawn in time for the 1976 elections. Forty-four of them opted for whole council elections every fourth year, beginning in 1979. The other 44 opted for one-third at a time, in 1978, 1979, 1980, and then 1982, 1983, 1984, and so on.

Another 153 districts have since had new ward boundaries and so have whole council elections this year. (Two-thirds of them have opted for whole council elections every fourth year in future.) Finally, there are 92 districts (including all 37 Welsh districts) facing whole council elections on the basis of their existing, unrevised boundaries.

The non-met districts are responsible for only about 12 per cent of the £11bn plus annual local government expenditure in the shires. Labour has lost very considerable ground since 1973, retaining control of only three of the nine non-met district councils with more than 200,000 population (Bristol, Hull and Stoke), 10 of the 96 with more than 100,000, and in all only 30 of the whole 296.

In the 44 districts where one-third of the seats came up last year, providing a datum point for this year's third, Labour's opportunities are limited. But the party needs to make only two gains this year at Peterborough (the same as last year) and at Welwyn and Hatfield (as against one gain last year) to win back control. Both are marginal parliamentary constituencies. At Hartlepool (two gains last year) and at Tamworth (two losses last year) Labour need four and five gains respectively for control.

In the other 44 districts with new boundaries in 1976—but whole council elections this year—Labour's only realistic hopes would appear to be Corby (four net gains needed) and Kingswood, near Bristol (six needed). In the 153 English districts with whole council elections on the basis of brand new boundaries, Labour is hoping to recover some of its erstwhile strongholds. Among the bigger centres, the best prospect is Derby. Greater difficulties attach to Ipswich, Cambridge, Oxford and Barrow.

In the 55 English districts with whole council elections and old boundaries, Labour's hopes are only slightly more numerous—Carlisle, Leicester and North West Leicestershire, where three net gains are needed, Wear Valley (four gains), and possibly Slough—where 10 gains are needed, but one highly marginal Conservative ward has nine seats.

In the 37 Welsh districts with whole council elections and old boundaries, there are seven councils for which Labour could have hopes, including Rhymney Valley where the Welsh Nationalists are currently the largest party. But Cardiff (Conservative controlled), Swansea (Ratepayers), and possibly Merthyr Tydfil (Welsh Nationalists) look like remaining out of reach.

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UK NEWS — LABOUR

White-collar aerospace unions vote for merger

BY NICK GARNETT, LABOUR STAFF

THE controversial move by the *Engineers and Managers* Association into new sections of engineering received two major boosts yesterday from staff associations in aerospace.

A delegate conference of the British Aerospace Staffs Association voted overwhelmingly for a transfer of engagements to *the* EMA.

A final decision on the transfer will depend on a ballot of BASA's 5,000 members. Mr. Joe Fisher, the president, has made a strong appeal for members to support the move.

At the same time a ballot of the 450-member BAC Professional Staffs Association at British Aerospace's Warton plant, Preston has resulted in a vote to amalgamate with the EMA. Mr. John Lyons, the EMA general secretary, said that 97 per cent of those voting had supported amalgamation.

The first approaches *on* amalgamation with the EMA were made by the staff associations. Mr. Lyons appears now to be on the point of setting up a recruiting base within aerospace.

New approaches

BASA estimates *that* there are up to 15,000 eligible recruits in 24 British Aerospace sites. At present it organises only on twelve sites.

Mr. Lyons said yesterday the EMA would be seen as the union capable of recruiting professional staff throughout aerospace. It had been holding discussions with other aerospace staff groups.

"We shall now proceed to set up an aerospace group within EMA alongside our shipbuilding, engineering and electricity supply groups and to obtain recognition as we did in shipbuilding."

The EMA, which is affiliated to the TUC, has had a number of recruiting battles with other TUC unions since 1976 when Mr. Lyons, then leader of a small union for electrical power engineers, announced that his organisation was preparing to broaden its base.

Shipbuilding, where the TUC tried to prevent recognition of unions which are not members of the Confederation of Shipbuilding and Engineering Unions, has been the most prominent battleground.

NatWest staff ballot shows majority against joining TUC

BY NICK GARNETT, LABOUR STAFF

MORE THAN half the members of the National Westminster staff association *who took* part in a ballot on affiliation to the TUC have indicated that they are strongly opposed to TUC membership.

The ballot result, which is being used by staff association *negotiators as an important* guide rather than a determining influence, appears to make it even more difficult for bank staff bodies to agree to the formation of a single staff union for the English clearing banks.

Proposals for a single staff union were drawn up last year by Dr. Tom Johnston, chairman of the Scottish Manpower Services Committee.

They involve the creation of a single union for the English clearers made up of the present staff associations and the Banking, Insurance and Finance Union. This body would be part of a newly-created TUC-affiliated finance union.

In the National Westminster ballot, 48 *per* cent of the association's 15,000 members voted by choosing one of five options: 38.5 per cent said they were totally opposed to TUC affiliation; a *further* 12 per cent *said* they were opposed to TUC affiliation even if it means the failure to set up one staff body; 22 *per cent said they* were opposed to TUC affiliation but would accept it as the price to pay for setting up a single staff union.

Only 15.5 per cent *said they* were not opposed to joining the TUC, and a further 6.5 per cent were totally in favour of joining the TUC.

The ballot also asked whether they supported a single staff body for the clearers providing there was a separate certified domestic union for NatWest—74 per cent said they did.

The annual conference of BIFU decided this month that *membership of any new clear*ing bank union must be direct to its TUC-affiliated umbrella body.

This runs directly counter to the views of the staff association at NatWest and to those at Barclays and Lloyds, which want separate certified unions for each bank and are at best luke-warm to TUC affiliation.

● Midland Bank has abandoned plans to experiment with Saturday morning opening after union opposition.

Power stewards expect offer to be rejected

BY OUR LABOUR STAFF

THE POWER WORKERS' unofficial national joint shop stewards' committee predicted yesterday that the management's pay offer, which is being put out to ballot, would be rejected.

The committee, which pressed for rejection of last year's offer, eventually accepted by the 95,000 workers, said this year's offer, which union leaders are recommending, would have to be doubled.

The offer is 9 per cent, with consolidation of bonuses and an extra day's holiday. The ballot result will not be known until after the General Election.

Fraser told by AUEW leader he should quit

By Alan Pike, Labour Correspondent

MR. ROY FRASER, leader of the *unofficial* BL *craftsmen's* strike which collapsed this weekend, should consider resigning as a shop sterward, Mr. Terry Duffy, president of the Amalgamated Union of Engineering Workers, said yesterday.

Mr. Duffy said: "If I were in his position I should feel no alternative but to resign. He has done a lot of damage to the people he represents."

The two-week strike over demands for pay parity and separate bargaining *rights for* skilled workers was initially supported by between 3,000 and 4,000 BL craftsmen. Last week, however, many began returning to work, and when the unofficial BL United Craft Organisation called off the action on Saturday it was continuing to receive support only at Mr. *Fraser's Cowley body plant.*

Rules

Mr. Duffy, speaking at East*bourne where the policy-making* national committee of the AUEW meets today, said he appreciated the concern of the skilled workers about their pay *but did not approve of* Mr. Fraser's methods.

The union executive is investigating Mr. Fraser's activities to see whether he has broken union *rules* by organising action outside his own Oxford district. It is likely to be at least another three weeks before this investigation is complete.

Although Mr. Fraser, if found guilty, faces a range of possible penalties including expulsion, the feeling of AUEW leaders is that he should not be made into a martyr.

On Wednesday Mr. Duffy and other leaders of the Confederation of Shipbuilding and Engineering Unions are meeting BL to discuss the future of the *company's pay parity proposals* following a unilateral management decision to award parity on a plant-by-plant basis where justified by productivity. The union *leaders will* also see whether anything can be salvaged from BL's worker participation structure from which shop stewards have given notice of withdrawal amid allegations that they are used merely to *rubber-stamp* management decisions.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Numerical Control Equipment Exhibition (01-681 7055) (until April 27)	*National* Agricultural Centre, Warwickshire
Current	Storage, Handling, and Distribution Exhibition (01-446 2411) (until April 27)	Earls Court
Current	International Fire, Security and Safety Exhibition (01-388 7661) (until April 27)	Olympia
Apr. 24—26	Defence Components Expo and Symposium (01-437 1622)	Brighton Metropole Conference Centre
Apr. 24—27	Fashion Fabric Exhibition—Spring 1980 ranges (01-385 1200)	Earls Court
Apr. 25—26	Contract Flooring Exhibition (01-236 0911)	
Apr. 30—May 6	Boat Show (0703 32348)	Exhibition Centre, Bristol
May 2—4	International Freighting Services and Equipment Exhibition—Freight Show North (01-437 0644)	Exhibition Centre, Harrogate
May 8—10	London Laboratory Exhibition (01-855 7777)	West Centre Hotel
May 8—13	Photo World '79 (01-935 8200)	Olympia
May 9—11	Environmental Engineering Today International Exhibition and Symposium (Royston 71209)	Wembley Conference Centre

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	International Book Fair (until April 25)	Jerusalem
Current	International Spring Fair (01-486 1951) (until April 27)	Zagreb
Current	International Household Fair (until April 29)	Amsterdam
Current	AGRO '79—Northern Agricultural Fair (until April 29)	Braga
Current	Swiss Industries Fair and European Watch, Clock and Jewellery Fair (until May 1)	Basle
Apr. 25—28	FESPA 79 International Screen Printing Trade Fair	Amsterdam
Apr. 26—May 13	28th Casablanca Intnl. Trade Fair (01-584 8827)	Morocco
Apr. 28—May 2	International Collectors' Fair (01-236 0911)	Stuttgart
Apr. 28—May 13	International Trade Fair	Brussels
Apr. 30—May 3	11th *Annual Offshore Technology Conference and* Exhibition (01-486 1951)	Houston
May 21—26	British Machine Tools Exhibition and Seminar (01-215 7877)	Seoul
June 6—16	All-British Energy Exhibition (021-705 6707)	Peking
June 8—July 1	International Transport Exhibition (IVA '79) (02013 4450)	Hamburg
June 9—17	33rd International Aeronautics and Space Exhibition (01-439 3964)	Paris
June 10—19	International Technical Goods Fair (01-215 7877)	Poznan
June 16—20	Advanced Communications Exhibitn. & Conference	Copenhagen
June 16—22	International Exhibtn. & Congress for Metallurgical Equipment and Technology (01-409 0956)	Dusseldorf

BUSINESS AND MANAGEMENT CONFERENCES

Apr. 24—26	ESC: International Conference on Trans-National Data (057282 2711)	Brussels
Apr. 25	IMRA: Planning Our Markets for the Mid 1980s (Lichfield 234488)	Shrewsbury
Apr. 25	BCPA: Credit Control (01-405 1023)	Waldorf Hotel, WC2
Apr. 25	CCC: Industrial Tribunals—The Finance and Strategy of Preparing and Presenting Cases (01-222 6362)	Royal Garden Hotel, W8
Apr. 25—27	Institute for International Research: The 1979 Corporate Tax Conference (01-388 4817)	St. James, London SW1
Apr. 26	OEM Design Magazine: Microprocessors for your company (01-839 3143)	Cavendish Conference Centre
Apr. 26	BAS: Insuring Overseas Construction Projects (01-222 0323)	
Apr. 26	Mobile Training: Employee Participation—The Way Ahead (01-242 3067)	Café Royal, W1
Apr. 26—27	Executant Offices: Developing Technical Men as (Better) Managers (0494 33171)	The Bull Hotel, Gerrards Cross
Apr. 26—27	CCC: Tendering and Contracting in UK and Overseas (01-222 6362)	Hotel Inter-Continental, W1
Apr. 26—June 28	FT/The City *University:* City Course (01-236 4382)	Basinghall St., EC2
Apr. 27	The University of Leeds: Basic Principles of Community Law (0532 35036)	University of Leeds
Apr. 30	Fielden House Productivity Centre: The Companies Bill and the Fourth Directive (061 445 2426)	The Post House, Northenden
Apr. 30	Institute of Grocery Distribution: 1984—For better or worse?	Metropole Hotel, Brighton
Apr. 30	Tips and Traps in Commercial Practice—Holborn Law Society seminar	Connaught Rooms, WC2
May 1—2	Management Studies Centre: Second International Word Processing Convention (01-940 5656)	Carlton Tower Hotel, SW1
May 2	Benn Business Promotions: Contract Furnishings—*Reducing the Fire Hazard (Edenbridge 863944)*	Royal Garden Hotel, W8
May 3	Elsevier: Computer Fraud seminar (Oxford 512242)	Royal Garden Hotel, W8
May 3—4	Financial Times Euro-Japanese Symposium—Trade, Finance and Politics in the 1980s (01-236 4382)	Brussels
May 8	*Executant* Conferences: Visual Inspection (High Wycombe 33171)	Bull Hotel, Gerrards Cross, Bucks

Building and Civil Engineering

£10m shopping centre started

ANOTHER STAGE of the town centre development at Harlow, Essex, has been started under a £10m contract awarded to Higgs and Hill.

It will be known as the Harvey Centre and will provide ground floor shopping areas leading into enclosed precincts, plus first floor shopping and offering a total selling area of about 300,000 sq ft.

The Harvey Centre will have an enclosed environment, providing shopping under cover and having direct access, also under cover, at both ground and first floor level from a new multi-storey car park.

A central mall space will have a tent-like roof, 60 ft high, and will be overlooked by gallery shops on all sides. This mall will be used for exhibitions, fashion shows and special displays, and will have a sculpture, garden and fountain.

The main structure will have in-situ concrete frames and external cladding of stone aggregate faced pre-cast units. Main entrances are to have automatic sliding doors set in stainless steel arches. Higgs and Hill will also be responsible for carrying out alterations to adjoining shop units.

Architects for the project are Frederick Gibberd and Partners. Structural engineers are F. J. Samuely and Partners, while the mechanical and electrical engineers are T. Dunwoody and Partners. Quantity surveyors are Langdon and Every.

Costain to fit out stores

FITTING OUT of two new stores for British Home Stores in Staines, Middlesex, and Milton Keynes, Bucks, under contracts totalling over £3¾m, is to be carried out by Costain Construction.

Both contracts call for the erection of internal walls, construction of additional staircases, all finishings, the installation of heating, air cooling, sprinkler and electrical systems, lifts, escalators and the provision of a restaurant and cold room facilities.

Work has begun on both contracts. The Staines store is due for completion in September under the direction of architects George Coles and Partners. Quantity surveyors are L. A. Francis and Sons and heating consultants Ronald A. Rose and Associates.

The Milton Keynes contract is due for completion in November. Architect for this project is D. T. Falkus, senior architect, British Home Stores. Quantity surveyors are L. A. Francis and Sons and heating consultants Ronald Ward and Associates.

Sunley busy in London

CONTRACTS IN London totalling £8.3m have been won by Bernard Sunley. The largest is at Fetter Lane, EC1, where it has just begun the construction of a £6m, nine-storey air-conditioned office. Architects are Michael Lyell and Associates.

Another contract just started is for the National Bank of Greece at St. Mary Axe, EC3, where the company is constructing a seven-storey bank and office premises under a £1.5m contract. Completion is planned for August, 1980. Architects are Weightman and Bullen.

Another bank contract won by Sunley is at Morris House, Berkeley Square, W1, where it is carrying out refurbishment work to a value of around £450,000 for the Bank of Credit and Commerce International.

At St. John's Wood Terrace, NW8, Sunley has started a £430,000 contract for the construction of 33 housing units for the City of Westminster.

£2m houses and flats by Laing

A FURTHER 112 houses and flats are to be built for the London Borough of Hounslow under a contract worth more than £2m awarded to John Laing Construction.

Laing is already building nearly 200 homes on a site at Swift Road, Hanworth, for the borough council under a £3.1m contract. The new contract is at Layton Road, Brentford.

At Layton Road, 24 three-bedroomed houses and a three-bedroom warden's house will be built, along with 65 one-bedroom flats for the elderly in a four-storey block. In addition, 18 one-bedroom flats and four flats specially designed for disabled tenants are to be built and six existing houses on the site are being converted into three modern homes.

Work has just started and is due for completion by July 1981. Architect is G. A. Trevett.

Variety for R. M. Douglas

A WAREHOUSE to be built at a cost of £4.7m for BL Cars Unipart at Baginton is the largest of the latest contracts announced by R.M. Douglas Construction.

Work has begun and is due for completion in just over a year. Architects are the Harper Fairley Partnership.

Other projects include a skill centre at Deptford, London (£5.4m) for the Property Services Agency, a production building for the English Industrial Estates Corporation at Sunderland (£1.1m), a factory extension at Castleside for the English Industrial Estates Corporation (£273,000), roads and sewers for Warrington Development Corporation (£394,000), factories at Salford (£329,000) for Slough Estates Design and Construction and offices for Rockwool at Bridgend (£356,000).

£2.6m shop and office project

WILLETT HAS been appointed main contractor for the construction of a £2.6m shopping and office development for International Stores in Twickenham, Middlesex.

The project involves the construction of a supermarket, multi-storey car park and two office wings. The supermarket which will cover most of the ground floor area will contain 3,700 square metres of retail shopping space with goods delivery areas at the rear.

Howard Fairbairn and Partners are the architects.

Resists the elements

AN OPAQUE satin wood finish claimed to be weather resistant has been introduced by Sikkens UK for exterior use.

Called Rubbol DSA, the product is available in 30 colours, including white, and is suitable for all external joinery, wood cladding, fascias, fencing, and gutter boards.

It requires no primers, or undercoats and provides an average dry coat thickness of between 30 and 50 microns. The company says the product's microporous properties allow the inherent moisture in timber to evaporate through the film, while nevertheless providing an unusually durable water repellent weather-resistant finish. It overcomes problems of flaking, blistering, and cracking caused by trapping of excessive moisture in the wood.

Further information can be obtained from Sikkens UK, Didcot Industrial Estate, Station Road, Didcot, Oxon.

Four awards to Finnegan

FOUR CONTRACTS worth just under £1m have been won by J. F. Finnegan.

Two of the contracts are for projects in Liverpool—35 flats and a community hall at Sandringham Drive for Servite Houses and structural alterations and additions in Falkner Street for Liverpool City Council.

The remaining two awards are for house improvement work for Kettering Borough Council, and alteration and renovation of buildings at Northampton for the British Institute of Non-Destructive Testing.

Supervises Qatar gas production

BOTH THE production of gas from a field in West Qatar and its pipeline transportation to users in the Eastern part of the country will be remotely supervised from a control centre in Doha using computerised telemetry equipment supplied by Serck Controls, of Leamington Spa.

The equipment, worth £800,000, includes a microprocessor controlled sub-master station which supervises four well-head treatment plants. This is controlled in turn by the master station at Doha, which also monitors the pipeline to the east via six outstations along its length.

£6.6m awards to Fairclough

THREE CONTRACTS in Glasgow, together worth £6.6m, have been awarded to Fairclough Building.

As part of a special programme to attract people back into the city, Fairclough will build 138 houses worth £2m in Seamore Street and St. Claire Street in East Glasgow. This project, for the Scottish Special Housing Association, starts at the end of April and will take 18 months to complete. Architect is Harold Buteaux.

At Nuneaton Street, Dalmarnock, Glasgow, the company has started work for the Scottish Development Agency on a contract for 13 advance factory and workshop units, designed to tempt more industry back into central Glasgow. Architects are Baxter and Paul, consulting engineers are Woolgar and Hunter and Partners, and quantity surveyors are Turner and Townsend.

The biggest of the three new contracts is for replacement housing for Glasgow District Council. Fairclough will build 245 new council homes worth £3.8m in the Wellpark area of the city.

Sir A. McAlpine awards

COMBINED VALUE of two contracts awarded to Sir Alfred McAlpine and Son (Northern) is over £7.2m.

One, worth just over £6.5m, is for the City of Salford, and involves construction of 579 dwellings and one shop at Cleggs Lane, Little Hulton, Worsley. Included are houses, flats, and bungalows.

At Barrow-in-Furness, McAlpine is undertaking a contract worth over £750,000 for the North Western Electricity Board. The site is the existing depot off Salthouse Road, and work involves demolition of old stores buildings and erection of a new administrative and stores complex.

Another member of the Sir Alfred McAlpine Group, McAlpine Services and Pipelines, has been awarded a contract worth around £1m by Wales Gas. This job involves the laying of 12 km of 12-inch diameter steel pipeline between Llanfair P.G. and Llangefni, in Anglesey.

Three jobs for Bovis

UNDER A CONTRACT worth about £600,000, Bovis Construction is to build an engine and vehicle storage depot on the Cranborne industrial estate in Potters Bar, Herts.

The work is to be carried out for W. H. Perry and apart from providing nearly three acres of open storage, the depot will consist of a single-storey structure with asbestos cement roofing and pvc vertical cladding, as well as a two-storey office. Architects are the James H. Cox Partnership.

Bovis has also been awarded a £523,000 contract (architects, Day and England) by the S.W. Thames Regional Health Authority for construction of a neurology department at Atkinson Morley's Hospital, Raynes Park, London, while in Manchester it is to fit out two shop unit "shells" at Permanent House, Moseley Street, for the Bank of China. The "shells" will be converted to form a banking hall and offices. Architects for this job are White and Travis.

£5m work for Gleeson

THREE CONTRACTS worth over £3m have been won by Gleeson Civil Engineering. The largest is for the Thames Water Authority, Southern Division, for sewage treatment at Esher, Surrey, and is valued at £2.2m.

A second contract, at Milnbay, Derbyshire (£500,000) is for extensions to the water recovery works for the Severn-Trent Authority, Lower Trent Division, while a third contract, awarded by Northumberland County Council is for the second stage of the Whitechapel improvement on the Carlisle-Sunderland trunk road A69 (£356,136).

Gleeson (Construction) has been awarded a contract by Asfordby Storage Co. to build a cold store complex at Melton Mowbray (£1.4m) and M. J. Gleeson (Contractors) has won a contract from the London Borough of Sutton to construct 30 dwellings at Culvers Avenue, Carshalton, bringing the total for the Gleeson Group to about £5m.

IN BRIEF

● A contract worth nearly £150,000 has been awarded to West's Piling and Construction Company by Fairclough Building, to instal 973 piles to support a low rise housing development at Thamesmead, for the Greater London Council. West's is also to undertake a £35,000 piling contract at Selinas Lane, Dagenham, Essex, for Unigate.

● A six-months study of the rehabilitation of a 4,200-hectare mechanised farm in the north-west of the Nile Delta in Egypt is to be undertaken by Sir M. Macdonald and Partners. Main problems to be studied are salinity and waterlogging caused by a rise in the ground-water level.

● Agent Plant Hire of Crayford, Kent, has formed a new division, Agent Plant Sales, to market civil engineering and construction plant in the UK. Headquarters will be at the company's 80, Cannon Street, London, EC4, office.

● Contracts totalling over £1m have been awarded to Sir Robert McAlpine and Sons. In Wales it is to build a new terrace at Cardiff Arms Park for the Welsh Rugby Union while in Edinburgh it will construct a technical centre for Scottish and Newcastle Breweries.

● Manchester International Airport Authority has awarded Taylor Woodrow Construction (Northern) a £182,000 contract for civil engineering work. The company is also undertaking coastal protection work at North Cliff, Tenby, for South Pembrokeshire District Council, at a cost of £412,000.

● Latest types of construction machinery are to be demonstrated at a three-day show opening tomorrow at Hatfield, Herts, and organised by IPC Building and Contract Journals.

● Seven acres of land have been acquired at Little Paxton, Cambridgeshire, by Hunting Gate, for the construction of 40, four-bedroomed homes in varying designs some of which will be on ¼-acre plots and priced at around £30,000.

£10m contracts go to Wimpey

LARGEST OF the latest contracts totalling about £10.4m awarded to Wimpey is from Blue Circle Industries for the removal of earth overburden at the Dunbar works of Blue Circle Cement. Work has started and the £3m contract is due for completion in the summer of 1981.

Also in Scotland, Wimpey has won a contract worth nearly £500,000 by West Lothian District Council for a sports centre in the Craigswood area of Livingston New Town.

Down in Leeds, Wimpey has started a £1.1m contract for the modernisation of 147 council dwellings for Kirklees Metropolitan Council at Overthorpe Road and Moorside Road, Dewsbury, while for the South Western Division of Yorkshire Water Authority, it is to undertake preparatory work for the construction of a service reservoir within the authority's treatment plant at Kirkhamgate, near Wakefield. (£398,000).

Another small job is for the National Coal Board at Houghton Main Colliery, near Barnsley. This involves the construction of two reinforced concrete coal stacking pads and access roads. The ten-week contract is worth about £310,000.

In Hull, Wimpey has gained two contracts, jointly valued at over £1.6m, one for new council housing and the other for refurbishment of existing housing.

The new homes contract is for 147 houses at Argyle Street and includes external works and site development, while the refurbishing contract is for modernisation of 50 council-owned houses at East Hull Estate, Kingston-upon-Hull.

Farther south, Wimpey has won a £2.3m contract for the construction of a factory and office block for Peterborough Development Corporation, and a contract worth more than £1.2m for a two-part project at Market Street, Northampton, for Northampton Borough Council.

The Peterborough project is at Morley Way, on a nine-acre site, and involves a 10,400-sq-metre factory and a 3,000-sq-metre office block, both of which are in steel frame construction with brick cladding. Work has started and completion of this complex for soft drinks machinery manufacturer Sodastream is scheduled for the summer of 1980.

The first part of the Market Street, Northampton, project is a contract for the construction of roads, parking bays, footpaths and drainage together with remedial works to existing roads. The second is for the erection of 117 dwellings in traditional construction comprising 12 bungalows, 26 two-storey houses and 79 three-storey flats.

Egyptian cement plant

A CONSORTIUM headed by Polysius AG, Beckum, a Krupp subsidiary, is building in Assuit, Egypt, 300 km south of Cairo, a 1.5m tonnes per year cement plant.

Helwan Portland Cement Corporation, Cairo, awarded the contract for the kiln, requiring the delivery of about DM 120m worth of equipment and services. Commissioning of the kiln is scheduled for the beginning of 1982.

Members of the consortium are the Belgian subsidiary of Polysius, Ateliers Louis Carton, BBC Aktiengesellschaft, Brown Boveri & Cie and Haver & Boecker. Arab Suisse Engineering Co., Cairo, are the consultants.

N. Sea generating sets

TWO Rolls-Royce SK 30M generating sets are nearing completion at Burntisland, Scotland, for CONOCO North Sea Inc. The sets, each with a site rating of 21,500 kW, are to be installed later this year on to the 48,000-ton Murchison platform, 120 miles north east of the Shetland Isles.

When installed on the platform, which will stand in 500 feet of water, the sets will supply all the electrical energy required during the development and production phases of the oil field.

The two units, each powered by a single Rolls-Royce industrial Olympus engine, will be situated side by side between decks. A separate gas compressor package, powered by a single Rolls-Royce industrial Avon, is also being supplied to the offshore platform.

The two SK 30M generating sets together with the single Avon engine, are being supplied by the Industrial and Marine Division of Rolls-Royce from Coventry.

COMPANY NOTICES

5½% FUNDING LOAN 1987/91

The Bank of England give notice that new COUPON sheets for the above-mentioned Loan will be available on or after 5th June 1979 in exchange for TALONS. Listing forms for talons are available from the Chief Accountant's Office (Bank Buildings), Bank of England, 2 Bank Buildings, Princes Street, London, EC2R 8EU and talons should be presented there for exchange by Authorised Depositaries, on behalf of the holders, from the 29th May 1979. Talons should not be sent through the post.

Authorised Depositaries are listed in the Bank of England's Notice EC1 and include most banks and stockbrokers and solicitors practising in the United Kingdom, the Channel Islands or the Isle of Man.

PUBLIC NOTICES

THE BUCKINGHAMSHIRE COUNTY COUNCIL announce that the interest rate on their Variable Rate Redeemable Stock 1982 for the period 21st April 1979-21st October 1979 is 6.1875 being equal to ½% per annum above the average six month sterling Deposit rate offered on or about 10.00 am on the 20th April 1979.

Venture in Kuwait

THE RUGBY Portland Cement Company's wholly-owned subsidiary, The Rom River Company, has in joint venture with Mohamed Abdulmohsin Kharafi formed the Kuwait Steel Reinforcement Company.

This new company registered in Kuwait, will manufacture and supply a range of steel reinforcement products similar to those provided by Rom River in the UK. Operations are expected to commence in May.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Japanese shipbuilders: no clear distinction between management and workers.

Confucius still holds sway in Japanese industry

BY GEOFFREY OWEN

FOR THE Western businessman two of the most enviable characteristics of Japanese society are the ability of companies to command loyalty and obedience from their employees and the priority which is consistently given to the needs of industry above all other claims on the nation's resources.

Why do Japanese employees do what they are told? First, they are influenced by the Confucian view that work is honourable and decent, the hall-mark of the responsible adult. Although there is an increasing interest in leisure, work is not yet regarded as *something which intrudes* on more pleasurable activities. Second, they accept that companies exist to serve society and their employees. Third, they believe that those running the company are the best people acting in a reasonable way. No clear distinction is seen between managers and workers; people move up the ladder on *the basis of age, seniority* and ability and when they reach the top they are thought to exercise their authority fairly and with *discretion*.

All generalisations about Japan are dangerous, but these are based on five years' first-hand study of Japanese business. Rodney Clark, *now a lecturer* in social anthropology at London University's School of Oriental and African Studies, *spent more than a year in* a medium-sized packaging materials company (to which he gives the fictional name of Marumaru) *and another four* years in Japan as an investment banker. His aim in this book, which deserves a wide audience, *is to explain how the Japanese* company is run and how its workings affect those associated with it. The book provides an admirably *clear description* of the differences and similarities between Japanese and Western companies.

Japanese companies tend to specialise in one major industry and this makes it easier to develop team spirit and a sense of community. Those who work for the company are more likely to have common backgrounds and experience than in a Western conglomerate. Whereas in a conglomerate the language of management has to be finance, the specialised Japanese company can express its aims in tons of steel, numbers of cars or percentage share of the beer market. These are goals with which the employee can identify more easily than with profit.

In Marumaru's case the leading firm in the industry had about 12 per cent of the market and about ten others, including *Marumaru, had between two* and six per cent. "These market shares," says Clark, "were a matter of common knowledge to *Marumaru employees* and they were considered the most important indication of Marumaru's success. Most employees *were aware that their own* welfare depended on that success and would have been almost as alarmed as senior management *if the market share had fallen.*" Everyone was on the same side in a commercial war. There were plenty of rivals and few customers, *no-one owed* Marumaru a living, and bankruptcies were common. "On the other hand if everyone pulled their weight the company *would grow; and as Marumaru* became more powerful its employes, too, would count for more in the society of industry."

Within the company Clark *stresses* the unifying influence of the standard ranks, running from ordinary worker, through foreman, section head and department *head up to vice*-president and president. Everyone sees themselves as being on the same ladder, rather than in separate categories or classes. While the higher ranks naturally led to higher pay and allowances, "there were remarkably few privileges available only to those above a certain station. There were no special dining rooms for managers or directors. Everyone wore the same work clothes, except that different standard ranks had caps with different coloured bands."

Each work group makes strenuous efforts to develop good human relations, not just by being polite and friendly to each other at work, but also through what Clark calls "a self-conscious gregariousness" outside the company. In Marumaru *it was normal for groups* of colleagues to visit bars two or three times a week.

New recruits from schools *and universities spend* their first few years living in company-owned hostels and they can normally count on spending the next 30 years working for the same company. Clark explains that "life-time employment" is a misleading phrase since even in the largest companies men have to retire early, at 55. "Large Japanese companies *take the best and most productive years of their* employees' lives and then leave them to look after themselves *in their period of decline*": pensions and retirement benefits are meagre by Western standards.

The number of voluntary leavers *from Japanese companies* is higher than is often supposed, especially among the young; moreover life-time employment certainly does not apply to women, *from whom* only the smallest degree of commitment to the company is expected and whose opportunities for advancement are minimal. Nevertheless, very few workers in Marumaru were *ever formally dismissed*. Employees compared their situation favourably with their counterparts *in the U.S., where, they believed,* anyone who made even a tiny mistake would immediately lose his job.

Managers in Japanese companies *do not* need the threat of dismissal to keep their employees in order. Although Marumaru had a substantial number of *mobile* employees who could and sometimes did find jobs in other companies, they did not set the tone. The company *union*, whose leaders generally shared the same values as the management, provided a check on autocratic behaviour, but did not significantly limit the authority of the company. "*No one* seriously challenged management's right to command on moral or political grounds, even though alternative ideologies were readily available."

Above all, there were obvious practical *reasons for obedience*. "If Marumaru grew, employees would be likely to gain in pay and security. The company would be able *to* afford better salaries and new amenities—sports grounds and health insurance, company housing and resort *accommodation*. If Marumaru were ever to become the leader in its industry, then employees would be able to carry themselves *with* extra pride when they visited other companies, or obtain credit at the flourish of a name card in shops and restaurants. If, on the other hand, Marumaru were to decline, then pay and benefits would be diminished and shame would replace pride. If it *were* to go bankrupt, then many employees would suffer greatly, not least because of the poverty *of the Japanese social services.*"

The lack of investment in social services illustrates the less attractive side of the Japanese system—the extent to which the social, educational and political system is geared to the needs of industry, at the *expense* of other sections of the community. "At the beginning of Japanese industrialisation," says Clark, "the prosperity of the peasantry was sacrificed for the development of industry. After the Second World War, *too*, Japan recovered from her devastation by placing all available resources at the disposal of industry. Even today, when Japan has a formidable industrial economy and many of her firms dominate world markets, business and industry continue to be favoured at the expense of the private citizen."

Industry has borrowed on a vast scale from the private citizen on terms which are not favourable to the saver. "The result of this *transfer* of wealth has been that those immediately engaged in industry can live comfortably, while *those outside it* are at a disadvantage. Factories and company apartments are imposing, but private houses are *cramped and expensive*."

The success of the Japanese system has brought benefits to a great many people, who *naturally* support the status quo. But Clark suggests that the support may be tending to decline. "Industry has diminished its role in Japanese affairs by the very success with which it has played it. The country has become so *rich that* one need not be so sure that whtt is good for Mitsubishi is good for Japan."

Signs of a change *in attitudes* are the growing success of consumer movements and the campaigns against pollution of the environment. The Government is being forced to pay heed to these new demands, which include pressure from the growing elderly population for more attention.

Will Japanese industry be able to *adjust* to a new role as supporter of the community rather than its prodigal dependent? *Will the Japanese company* be able to maintain its superb discipline and productive efficiency and at the same *time learn* to be charitable? Can it adjust to demands for a more equitable distribution of wealth, even *among* those who do not contribute to its creation?

Clark suggests that for some time to come the commitment to work and to the company will remain strong. "Until Government welfare expenditure is greatly increased the Japanese will need to work more than Europeans and Americans *do*, for less will be provided for them if they do not. They will also continue to be bound by sentiments and *ideals* which made a virtue of work when work was more necessary to them than it is today; by the community spirit so carefully fostered by Japanese companies; and by the sense of purpose, progress and service which comes from respect for science, nationalism and Confucian theory."

The Japanese Company, by Rodney Clark; Yale University Press; £12.00.

EXECUTIVE HEALTH — BY DR. DAVID CARRICK

Backing away from work

BACK pain is the second greatest reason *for* sickness-absence in the United Kingdom, after bronchitis.

There are many known causes for the condition. *Serious* bone or joint diseases, or other disorders which only *refer* pain to the back, represent a very small proportion of the total. Far more common are the disabling conditions which usually follow upon some unusual strain and are sometimes associated with sciatica.

Up until the mid-1920s, the vague term "lumbago" was employed to describe them, then a specific disorder was discovered which became colloquially known as a "slipped" disc.

Not only is this a misnomer, *but many* people have only a vague knowledge of just what this disc is.

There are 24 discs in the *vetrebral column*, each separating those vertebrae that are capable of some movement, acting as effective shock-absorbers, and *helping* to keep them in place. They are tough, gristly creations. Firmly positioned, they most certainly *cannot* slip about; otherwise the spine would be a most precarious structure.

Under certain circumstances, however, their soft nuclei can rupture the tough fibrous outer part and herniate, or prolapse. As all nerves entering and leaving the spinal cord pass between the vertebrae, such an accident will aggravate them severely and lead to great pain and temporary crippling.

In a great majority of patients with *severe* back pain, X-rays fail to demonstrate such a lesion. This is as tiresome to the physician as to the sufferer.

Examination of these patients nearly always reveals muscular *spasm* in the area of pain. In a high proportion of cases, notably those with a short history, great relief can be obtained by expert massage and other forms of physiotherapy aimed at educating the patient to adopt certain postures and avoid the type of manoeuvre *that led to trouble*.

By taking the rather delicate spine by surprise, it is possible that, even though a disc has not been *ruptured*, there has been some transitory interference with the nerves passing out from the spinal cord. Thus insulted; they take it out on some of the muscles served which respond by going into spasm. Since *spasm causes* pain and pain causes spasm, the dismal circle is complete and difficult to break.

One way to prevent such accidents is to practice the lessons taught by those posters issued by the "Back Pain Association." One of the most *important instructions* relates to the desirability of lifting heavy objects by bending the legs and throwing the weight *on the immensely strong thigh* muscles. Proper posture, both in sitting and standing, is important. And a very *important rule is to try to avoid* movements so sudden that the spinal reflexes react before the *brain has a* chance to take overall charge.

There are so many problems that lead to trouble that I can only mention two that *I have* encountered recently. One was in a young woman who had moved house. All was well until she picked up the television. *As it was on a table,* this was a straight-back lift: and, as she tottered about grasping the precious burden, *her brain was so occupied with* that valuable machine that the back was left to the mercy of the spinal reflexes.

Then there was a young man who had bought a new car. This boasted a capacious boot but, as this was not accessible from less than 2½ feet up, every lift had to be made with a straight back followed by a twisting movement. Removing crates of valuable champagne was his undoing.

If we were content to walk on all-fours, we would not have these problems; nor, indeed, would we be troubled by piles, varicose veins or sinusitis. Being the way we are, though, it is necessary to give more thought and less haste to many actions.

A book by Dr. Carrick, based on articles which have appeared on this page, has just been published. Called Executive Health, it is published by Bay Books, London, price £4.95.

The swing that put him back into the doldrums

LOMBARD

Conscription – its true cost

BY SAMUEL BRITTAN

THERE IS no such thing as "free" armed forces, any more than there is a free lunch.

The fallacy that conscription (*usually called National Service* by its advocates) could enable us to have larger armed forces without paying the price rears its head whenever there is an increase in Forces Pay. The notion is not merely morally repugnant in a free society based on voluntary contract rather than force. *It is* also economic self-deception. Central and local government are planning to spend over £4bn in 1979-80 on house-building and road programmes. What would we say to someone who wanted to cut the cost of this programme at a stroke by £1bn by slashing the wages of construction workers and compelling them to remain at their posts? Quite apart from this being an *abhorrent idea, the cost to* society of using workers to build roads and houses, rather than engage in alternative activities, would be no less. We would simply have fiddled the books to produce a paper saving. The Armed Forces are no different.

The issue has come to the fore because of the recent pay award to the Armed Forces. The full amount estimated by the *Pay Review Body*, to bring Service pay into line with pay in civilian life, would be £433m per annum. Part of this sum is simply the general going rate of pay increases. The "relativity increase" is 17½ per cent. The Armed Forces are estimated to be about 10 per cent below target strength. With service pay totalling about £1.8bn per annum before the latest increases, the combined cost of paying the relativity increase and bringing the Forces up to strength would be over £500m. To recruit an extra 10 per cent on top of this at the proposed pay scales would bring the total increase up to £700m to £800m; and if pay had to rise further to stimulate recruitment the full extra cost could rise towards £1bn.

Would it be cheaper to obtain the extra forces required by conscription? The answer is that it would be more costly in any meaningful use of the word "cost." Let us suppose that by some system of selective conscription, we could obtain an increase of 20 per cent in the Armed Forces personnel by paying out an extra £500m instead of £1bn. This would not exhaust the true cost of the increase. To this would have to be added the difference between what each serviceman is paid and what he would have to be paid to do the job voluntarily.

We can be absolutely sure *a priori that this will be higher* not lower, than the £1bn which the voluntary system might require. Volunteers are by definition those who find military service most attractive relative to other opportunities. Conscription would bring in a random selection of people, some of *whom would have to be paid* far higher sums to enlist voluntarily—either because their productivity in civilian life was higher, or because they particularly disliked service discipline and conditions. As far as these people are concerned conscription is a tax paid in forced labour.

Normally money spent is a good rough and ready indicator of costs. But if a big change is made in the rules of the game, using money as a measuring rod becomes positively misleading and we are thrown back on fundamentals. There are other examples where money spent by the Exchequer is a highly misleading guide to true national costs. For instance a switch from farm subsidies to import levies does not save the nation anything. A typical family simply pays in higher shop prices instead of in taxes, and in real world examples such as the CAP, the true cost is actually greater.

One of the things which put me off British free market economists in my university days is that although they were very upset about the interference with personal choice involved in say a ban on imported refrigerators, they had much less to say about the far larger interference with choice of occupation and way of life involved in compulsory national military service. It was only when I learned that Milton Friedman had made the "draft" the one issue on which he had personally lobbied Senators and Congressmen that I started to treat market economists with respect.

There are those who argue that compulsory service, whether of a military or civilian kind, would be "good" for young people. They are the enemies of liberalism; and their arguments are analogous to those advocates of economic planning who say that individual citizens are not the best judge of their own interest. But let such authoritarians at least argue their case openly and not take refuge behind bogus economics.

Law does not spoon-feed unwary buyers

THE WEEK IN THE COURTS

BY JUSTINIAN

IF A person sells a car he knows is in a dangerous condition but simply tells his buyer that it is being sold "as seen and with all its faults and without warranty," has he done enough to satisfy the seller's duty of care? Or can he be made liable for any injuries suffered as a result of an accident caused by the dangerous condition of the car?

That, no less, was the important but hitherto unanswered question posed to the House of Lords in *Hurley v. Dyce*. Their Lordships found on the facts that the seller did not know how dangerously corroded was the car's underchassis at the point where it broke a week after the sale. There were strong hints, too, from some of their Lordships that the specific disclaimer of liability for any faults dis*charged the seller's duty of* care.

The case was tragic, involving the death of the driver and the permanent maiming of his passenger, who is now a paraplegic.

The driver had bought a 1962 three-wheeled Reliant car at an auction a week before the accident. On a bend, the chassis collapsed, causing the car to veer across the road and col*lide* with an oncoming vehicle. The nearside member of the chassis had snapped at a point beneath the passenger seat *where it had become seriously* corroded. Its rusted state would have been discovered on careful inspection of the underside of the car, and the danger that it might at any time break while being driven would have been appreciated by anyone with the expert knowledge of a skilled mechanic.

At the date of the accident in October, 1971, third party insurance of passengers was not compulsory and the driver was not so insured. It was, therefore, no use suing him. So the passenger brought an action against the previous owner, which was a small one-man company running a garage business outside Malvern and employing *one qualified mechanic*. The owner of the garage business, Mr. Dyce, had acquired the Reliant as a result of its owner's driving it to his garage after discovering it had carburettor trouble. The mechanic was not at the garage, so there was no one to repair the carburettor. Mr. Dyce *had a discussion* with the owner, and both noticed that apart from the carburettor trouble the car was down on one side. They both looked at the underside of the car as it stood on the forecourt. Mr. Dyce expressed the view that the spring of the nearside wheel had broken away from the subframe. Since he considered the vehicle unsafe to be driven away and since the owner despaired of his unreliable steed, the two struck a bargain there and then. *The owner sold it to Mr. Dyce* at the knock-down price of £10. Mr. Dyce intended to sell the car for whatever it would fetch at the Tewkesbury auction sales. Meanwhile the carburettor was repaired and the mechanic drove it to the sales where it was offered for sale at a reserve price of £40.

The successful bidder at the sale understood perfectly well that the expression "as seen with all its faults" conveyed a warning that the car would not be safe to drive without first having been thoroughly inspected. He had no intention of driving it away, but of "cannibalising" it and selling off the spare parts. However, the ultimate buyer (the deceased driver), who failed to make an effective bid, contacted the successful bidder and agreed to buy the car from him for £10 more than the auction price of *£40. He lacked the* understanding of more knowledgeable bidders: he drove the car away and, fatefully, drove it a week later.

It was conceded that the seller had only to give his purchaser adequate warning of potential dangers of which he himself knew or ought reasonably to have known. The warning given, *that it was being sold* "as seen with all its faults" was adequate notice to any prospective purchaser that the car might be dangerous to drive without first subjecting it to a thorough examination by a skilled mechanic. But if Mr. Dyce did know the precise *nature of the defect in the car*, and that it constituted a deathtrap, was a more specific warning of the danger needed to satisfy his duty of care?

The trial judge found that the warning "to be sold as seen and with all its faults and without warranty" was insufficient to satisfy the duty of care which a vendor at auction of an article known to be dangerous owes to potential *buyers*. He awarded the passenger, Mr. Hurley, damages agreed at £46,000. The Court of Appeal, by a majority, reversed that decision on the ground that the extent of Mr. Dyce's knowledge of the dangerously corroded state of the car did not justify a finding other than that he was aware only of the very real potential danger of driving the car without further examination and *doing any necessary repairs* which that examination revealed. He did not know specifically of the corroded state of the chassis.

That was enough for the House of Lords to dismiss the passenger's appeal against the reversal he had suffered in the Court of Appeal. But some observations from two of the *Law Lords indicated that, even* if Mr. Dyce had known the precise nature of the danger, he would not have been held liable for the injuries incurred by Mr. Hurley. Lord Dilhorne said that it should not be assumed that if it had been established that Mr. Dyce knew the car was *dangerous he had not* discharged his duty by selling it "as seen and with all its faults and without warranty." And Lord Scarman agreed specifically with the observations of Lord Dilhorne. The other three Law Lords remained silent on whether, had the facts been different, the legal decision would have been any different.

It can be safely assumed that the law is now tolerably clear: a seller of a *dangerously* defective commodity, who knows precisely what defects the commodity possesses, need do no more than give his purchaser due warning that there is a lurking danger, by using a form of words that announces that warning. He does not have to take his purchaser by the hand or by the ear and show or tell him what precisely is wrong. In effect the law does not spoonfeed the purchaser. It merely requires that full opportunity be given him of discovering for himself the nature of the beast he is buying.

Low-rent estate built to help job recruiting

BY ANDREW TAYLOR

A NEW STYLE £1.4m housing estate designed to provide low rental accommodation for local industrial, commercial and public authority workers opens this week at Poole, Dorset.

The Creekmoor Estate, claimed to be the first of its kind, was built after local business found problems in recruiting skilled labour because of high property prices.

They have combined with the borough council and the West Country-based Knightstone Housing Association to build the estate of 103 houses, flats and bungalows.

Hamworthy Engineering, a subsidiary of Powell Duffryn, employing 3,000 workers in Dorset, said that it agreed with the local borough council—which also had recruitment problems—to sponsor the estate through the housing association.

Mercer likely to choose Kris

RACING

BY DOMINIC WIGAN

I CANNOT SEE Joe Mercer failing to renew his partnership with Kris in the 2,000 Guineas after Saturday's Greenham Trial by the Cecil colt. This will almost certainly mean that Lester Piggott will come in for the ride on one of that colt's stable-mates, Lyphard's Wish and Borzoi, should — as some rumours suggest — Junius miss the big race line-up next month.

Kris, on whom there was heavy ante-post activity towards the end of last week, as reports of his sparkling homework with, until then, more highly rated stable companions became commonplace, could hardly have been more impressive in Saturday's £10,000 Newbury race.

Showing all the grit and retaining his unbeaten record in the Horris Hill on the same determination which saw him course last autumn Kris passed the post with three lengths in hand of Young Generation, following a short tussle with the Harwood colt.

Cecil, who expects stable jockey Mercer to opt for Kris—saying, "If I were Joe Mercer I think I would ride Kris rather than Lyphard's Wish in the Guineas" — has already approached Piggott with an eye to the former Warren Place jockey backing his three-pronged 2,000 Guineas bid.

Piggott, the most successful classic jockey of the century, partnered Borzoi in work last week, but it will come as a surprise if Lyphard's Wish is not his mount should O'Brien fail to send over Junius.

The seventh flat edition of Trainers Record has just been published containing the expected wealth of detail. A complete analysis of trainers' performances in 1978, combined with the usual commentary based on efforts over the past seven seasons, contributes towards the unique value of this publication.

Among the details of the winners and runners for every trainer at each course in 1978 it is interesting to find that Luca Cumani saddled 13 winners from 29 runners at Yarmouth in 1978, and that 57 per cent of Vincent O'Brien's runners at Ascot in the period 1974-78 have obliged.

Another piece of highly valuable information in the annual is the month-by-month performance of trainers, showing when their horses are likely to run into form. Here we discover that Michael Stout's two-year-olds are best followed in July, and that Henry Cecil's three-year-olds do particularly well in August.

A 250-page volume, Trainers Record strikes me as far from over-priced at £7 post free, considering the amount of work contained which should assist even the most experienced punter. It is obtainable from Trainers Record, Melplash, Bridport, Dorset, DT6 3UH.

BRIGHTON

1.45—Viadelta***
2.15—United*
2.45—Formidable**
3.15—The Hit Man
3.45—Glenhawk
4.15—Nickadventure

TV Radio

† Indicates programmes in black and white

BBC 1

6.40-7.55 am *Open University* (Ultra high frequency only). 12.40 pm News. 1.00 Pebble Mill. 1.45-2.00 Over the Moon. 3.15 Songs of Praise. 3.53 Regional News for England (except London). 3.55 Play School. 4.20 Cheggers Plays Pop. 4.40 Baggy Pants. 5.00 John Craven's Newsround. *5.05 Blue Peter. 5.35* The Perishers.

5.40 News.
5.55 Nationwide (London and South-east only).
6.25 Nationwide.
7.00 Ask the Family.
7.25 The Osmonds in London.
8.10 Panorama.
9.00 Party Election Broadcast by the Conservative Party.
9.10 News.
9.40 Starsky and Hutch.
10.30 Campaign Report.
11.10 Genesis on the Road.
12.00-12.05 am Weather/Regional News.

All regions as BBC-1 except at the following times:—

Scotland—5.55-6.25 pm Reporting Scotland. 12.00 midnight News and Weather for Scotland.

Wales—1.45-2.00 pm Pila Pala. 5.55-6.25 Wales Today. 7.00-7.25 Heddiw. *12.00 midnight News* and Weather for Wales.

Northern Ireland—3.53-3.55 pm Northern Ireland News. 5.55-6.25 Scene Around Six. 12.00 midnight News and Weather for Northern Ireland.

England—5.55-6.25 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (*Bristol*); *South* Today (Southampton); Spotlight South West (Plymouth).

BBC 2

11.00-11.25 am Play School
6.55 pm Snooker.
7.20 Ten On 2.
7.30 News.
7.40 Horseback.
8.05 The Mathis Collection.
9.00 Party Election Broadcast for the Conservative Party.
9.10 Rhoda.
9.35 Horizon. Elements of Risk: nuclear electricity.
10.25 Snooker: Embassy World Professional Snooker Championship.
11.15 News and the Hustings.

LONDON

9.30 am Noddy. 9.40 Sinbad Junior Cartoon. †9.45 The Ghost Train (film) with Arthur Askey, Richard Murdoch. 11.10 Untamed Frontier. 11.35 England Their England. 12.00 Chorlton and the Wheelies. 12.10 pm Daisy, Daisy. *12.30* The Cedar Tree. 1.00 News. 1.20 Thames News. 1.30 Treasures in Store. 2.00 After Noon Plus. 3.20 This Year, Next Year. 4.20 Clapperboard. 4.45 The Boy Merlin. 5.15 Gambit.

5.45 News.
6.00 Thames at Six.
6.35 Crossroads.
7.00 The Kenny Everet Video Show.
7.30 Coronation Street.
8.00 Chalk and Cheese.
8.30 World In Action.
9.00 Election Broadcast by the Conservative Party.
9.10 Turtle's Progress.
10.10 News.
10.50 Monday Thriller: Rock Hudson, Angie Dickinson, Telly Savalas in "Pretty Maids All In A Row."
12.25 am Close, with Michael Burrell.

ANGLIA

MON., AP. 23, 1979

9.35 am Cartoon. 9.40 Snooker. 10.20 *Celena and Friends. 10.45 Rape of* the Loch. 11.10 Country Comes West. 11.35 Walking Westward. 1.25 pm Anglia News. 2.00 Houseparty. 2.25 "Trial Run" (film) with James Franciscus. 5.15 University Challenge. 6.00 About Anglia. 10.50 Campaign Challenge. 11.20 "In The French Style" (film), starring Jean Seberg and *Stanley Baker*. 12.15 am *Reflection*.

ATV

9.30 am Something Different. 9.45 Gardening Today. 10.10 *Nahanni*. 10.25 "It's All Happening" (film), starring Tommy Steele. 1.20 pm ATV Newsdesk. 5.15 Give us a Clue. 6.00 ATV Today. 10.50 For Better, For Worse. 11.?0 Dan August. 12.20 am Something Different.

BORDER

9.30 am Solo One. 9.50 Jonny Quest. 10.20 Celena and Friends. 10.45 Rape of the Loch. 11.10 Country Comes West. 11.35 Walking Westward. 2.25 "Smashing Time" (film), with Rita Tushingham. 5.15 University Challenge. 6.00 Lookaround. 6.20 The Sound of Ricki Lee. 10.50 "Lanigan's Rabbi" *(film), with Stuart Margolin.* 12.30 am Border News.

CHANNEL

1.18 pm Channel News. 2.25 "Last Of The Renegades" (film). 5.15 *University* Challenge. 6.00 Channel News. 6.10 Untamed World. 9.00 *Encore*. 10.4? Channel News. 10.55 Catch '79. 11.?0 "Adams Of Eagle Lake" (TV film). 12.25 News and Weather in French.

GRAMPIAN

9.25 am First Thing. 9.30 Tarzan. 10.15 Celena and Friends. 10.40 Rape *of the* Loch. 11.05 *Country* Comes West. 11.35 Walking Westward. 1.20 pm Grampian News. 5.15 University Challenge. 6.00 Grampian Today. †6.?0 The Electric Theatre Show. 10.50 Reflections. †10.55 "The Birds" (film) *starring* Rod Taylor. *12.50 am* Grampian Headlines.

GRANADA

9.30 am Sesame Street. 10.25 Survival. *10.50 Elephant Boy.* 11.15 Picture Box. 11.30 The Beatles. 11.45 A Handful of Songs. 1.20 Dodo. 2.25 pm Monday Matinee:- David Hartman in "Lucas Tanner." 3.50 Window on the World. 5.10 Captain Nemo. 5.15 Crossroads. *6.00 Granada Reports Special.* 10.50 The Streets of San Francisco. 11.50 George Hamilton IV.

HTV

9.50 am Stars on Ice. 10.15 Celena and Friends. 10.40 Rape of the Loch. 11.05 Country comes West. 11.35 Walking Westward. 1.20 Report West. 1.25 Report Wales. 5.15 Captain Nemo. 6.00 Report West. 6.22 Report Wales. 10.35 "Pendulum" (film), with George Peppard. 12.25 Weather.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 Penawdau Newyddion. 2.00-2.25 Hamdden. 2.25-3.20 Afternoon Plus. 6.00-6.22 Y Dydd. *8.30-9.00* Yr Wythnos.

HTV West—As HTV General Service except: 1.20-1.30 Report West. 6.22-7.00 Report West.

SCOTTISH

9.30 am The Lions are Free. 10.20 Diary of Civilisation. 11.10 Country comes West. 11.35 Walking Westward. 2.25 pm "Don't Drink The Water" (film), with Jackie Gleason. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Crimedesk. 6.30 Wilkie in Winter. 10.50 Late Call. 10.55 McMillan.

SOUTHERN

9.30 am Stationary Ark. 9.55 Little House on the Prairie. 10.45 "The Tall T" (film), starring Randolph Scott. 1.20 pm Southern News. 2.00 Houseparty. 12.25 "Hungry Hill" (film) starring Margaret Lockwood. 5.1? Betty Boop. 5.20 Crossroads. 6.? Day by Day. 10.50 Southern News. 10.55 Music in Camera. 11.25 Police Surgeon. 11.55 Farm Progress. 12.25 am Weather.

TYNE TEES

9.25 am The Good Word and North East News. 9.30 The Nature of Things. 10.20 Celena and Friends. 10.45 Rape of the Loch. 11.0 Country Comes West. 11.35 Walking Westward. 1.20 pm North East News. 2.25 "The Garden of Allah" (film) with Charles Boyer and Marlene Deitrich. 3.50 Bailey's Bird. 5.15 University Challenge. 6.00 *Northern Life.* 10.50 S.W.A.T. 12.35 am Epilogue.

ULSTER

10.20 am Celena and Friends. 10.45 Rape of the Loch. 11.10 *Country* goes West. 11.35 Walking Westward. 1.20 Lunchtime. 2.25 The Shape of Things to Come. 2.50 The Friends of Man. 4.18 Ulster News Headlines. 5.15 Cartoon. 5.20 Crossroads. 6.00 Good Evening Ulster. 10.50 *Election Special.* 11.20 Richie Brockleman. 12.15 am Bedtime.

WESTWARD

9.30 am George Hamilton IV. 9.55 Friends of Man. 10.20 Celena and Friends. 10.45 Rape of the Loch. 11.10 Country comes West. 11.35 Walking Westward. 12.27 Gus Honeybun. 1.20 Westward News. 2.25 "*Beach Party*" with Bob Cummings. 5.15 University Chalenge. 6.00 Westward Diary. 10.52 Westward News. 10.55 Catch '79. 11.25 Faith for Life. 11.30 TV film: Treasure Chest Murder. 11.25 am West *Country* Weather.

YORKSHIRE

9.30 am Untamed Frontiers. 10.00 Rainbow. 10.15 Tree Top Tales. 10.30 Master of The World. 11.15 *Children in 1944.* 11.35 Beachcombers. 12.10 pm Election Calender. 1.30 Calendar News. 2.25 Don't Drink The Water (film). 4.15 Cartoon. 5.15 University Challenge. 6.00 Calender. 10.50-12.15 am *Chopper Squad.*

RADIO 1

5.00 am *As Radio 2.* 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Peter Powell. 2.00 pm Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.00 Stayin' Alive. 8.00 Andy Peebles. 9.50 Newsbeat. 10.00 John Peel (S). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.02 Tony Brandon (S). 7.32 Terry Wogan (S). 10.03 Jimmy Young (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S). 2.30 David Hamilton (S). 4.30 Waggoners' Walk. 4.45 Sports Desk. 4.47 John Dunn (S). 6.40 Election Broadcast by the Liberal Party. 6.45 Sports Desk. 7.02 Music From The Movies (S). 7.30 Alan Dell. 9.02 Humphrey Lyttelton (S). 9.55 Sports Desk. 10.02 Pros and Cons. 10.30 Star Sound. 1.02 Brian Matthew (12.00-12.10 Newsroom). 2.02-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Overture (S). 8.00 News. 8.05 Morning *Concert* (S). 9.00 News. *9.05* This Week's Composer: Dvorak (S). 10.05 Talking About Music (S). 10.35 Medley of Minuets (S). 11.15 Byrd and Gibbons (S). 12.00 Twentieth-Century American Music (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S): Mozart, Brahms. 2.00 Music for Organ (S). 2.45 Matinee Musicale (S). 3.45 New Records (S). 4.55 Bandstand (S). 5.25 Homeward Bound (S). †5.45 News. †5.50 Homeward Bound. †6.15 At Home. 7.10 William Shakespeare's plays: reading. 7.20 Mathieu (S). 7.30 Henry V (S). *William Shakespeare's play:* Part 1. 9.10 Interlude. 9.15 Henry V, part 2. 10.45 Bach Cantata (S) No. 21. 11.30 Jazz in Britain (S). 11.55-12.00 News.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.50 Election Broadcast by the Labour Party. 9.00 News. 9.05 Party Election Call 01-580 4411. 10.00 News. 10.05 Wildlife. 10.30 Service. 10.45 Story. 11.00 1979—The Year of the Child. 11.45 Listen with Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1979 (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre (S). 4.35 Story Time: "The Europeans" by Henry James (part 1). 5.00 PM News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News. 6.30 The Burkiss Way (S). 7.00 News. 7.05 The Archers. 7.20 From Our Own Correspondent. 7.45 The *Monday Play* (S). 9.15 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.40 Perspective. 11.05 Book at Bedtime. 11.20 Financial World Tonight. 11.35 Election Platform. 12.00 News. 12.15-12.23 am *Shipping Forecast.*

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 *Home Run.* 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Breakthrough. 10.30 Vote for Me! 11.00 Late Night London. From 12.00 midnight As Radio 2.

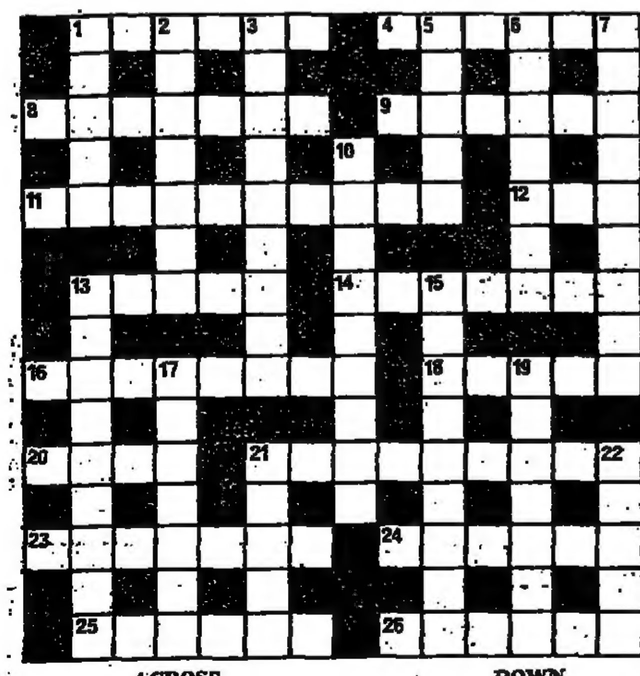
London Broadcasting

5.00 am Morning Music. 6.00 The A.M. Show. 10.00 Brian Hayes. 1.00-8 pm LBC Reports, with George Gale at 3 pm. 8.00 After Eight. 9.00 Nightline. 1.00 am *Night Extra.*

Capital Radio

6.00 Graham Dene's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Peter Young's Night Flight (S).

F.T. CROSSWORD PUZZLE No. 3,953



ACROSS

1 Behaviour that gets by in *Lancs* (6)
4 Shows little interest with performance unimpaired (6)
8 Cause perplexity in England, but no more in France (7)
9 Not in favour of a commander this month (7)
11 Alliterative collector of condiments (5, 5)
12 You must have direction in a great vessel (4)
13 Fold seen in stirrup-leathers (5)
14 Wake to the advantage of a sharp razor (4, 4)
16 Anxieties in businesses (8)
18 Get lodgings whichever way you look at it (3, 2)
20 It's a *return to wine* (4)
21 The lady of the manor has a talk with a girl (10)
23 Crooner takes refuge inside a *London borough* (7)
24 The name of some writers can be taken for granted (7)
25 Despatched back to West Country town (6)
26 A female has the right in America to have escorts (6)

DOWN

1 Dried up—owing to the cold? (5)
2 The French boy in 3 is confused and full up (7)
3 Conservative disciple shows signs of departure (4, 5)
5 Engineer with trap turns up in the river (5)
6 Friendly, but questions my competence (7)
7 A spin before the match involves the captains (7, 2)
10 Turns to spank some representative (9)
13 Insufficient advantage causes surprise to the hard-up (4, 5)
15 Trains Fleet Street in expenses (9)
17 An insect, if not itself, is unsporting (7)
19 Defame the armistice about this period (7)
21 Conservative for a start has gone wrong and got a dismissal (5)
22 "What fates impose, that men must —— abide" (Henry VI) (5)

The solution of last Saturday's prize puzzle will be published with names of winners next Saturday.

THE ARTS

Open Space

P.S. Your Cat is Dead

by B. A. YOUNG

Vito, the burglar who breaks into Jimmy's Greenwich Village apartment, is so wet that he soon finds himself face downwards over the sink, pinioned at arms, legs and waist. He has not, however, been gagged, and this is Jimmy's mistake.

Despite his apparent helplessness, he soon shows himself the superior character by dialogue alone. He is not a burglar at heart, but a hustler whose rich friend has just died, and it is not long before he has undermined his captor's resources by persuading him to puff at a joint. The two ultimately reach so friendly a relationship, singing "Auld lang syne" together to celebrate the New Year, that Jimmy sets him free, though he has by this time cut off his trousers. Jimmy is indeed an eccentric, an unsuccessful actor nearing 40 assailed by bad luck — he is being written out of a soap opera; the manuscript of the novel he is writing has been stolen; and his cat is dead.

David Baxt invests such skill in Vito's endless one-liners that I almost believed in him, though his dialogue has a powerful smell of midnight oil about it. ("I'm as stiff as Romeo's pecker," he says when the ropes are loosed.) Jimmy gets less comic dialogue but more comic action; Christopher Gable convinced me that the character was indeed an unsuccessful actor advancing, as Noël Coward puts it, with every sign of reluctance into middle age, though it would take a more persuasive performance to make me believe in his eccentric behaviour.

There are two other characters, Jimmy's girl-friend Kate (Marilyn Galsworthy) and her friend, Fred (Christopher Muncke), but their only function is to frame the situation-comedy antics of Jimmy and Vito, and we do not see much of them.

The author of this little romp is James Kirkwood. He has also made a novel out of it. Jimmy at the long-delayed conclusion of the play suddenly decides that he will make a novel out of his adventure with Vito: perhaps this is it. It is directed by Richard Marquand, and the bed-sitting-cooking room of Jimmy's flat is the design of Guy Munthe. Lest anyone should think that the play is a riot of homosexual jolity, I should say that when Vito, whose bottom has been on display for two hours, is given a new pair of pants, he discreetly leaves the stage to put them on.

Leonard Burt

Christopher Gable and Marilyn Galsworthy

Leonard Burt

Derek Deane and Monica Mason

Covent Garden

Liebeslieder Walzer

by CLEMENT CRISP

"Never have I moved so lightly. I was no longer a human being. To hold the most adorable creature in one's arms and fly around with her like the wind, so that everything round us fade away . . ." Thus Goethe wrote at the moment when the waltz fever first seized Europe, and aptly his poems form the text of the Neue Liebeslieder, second part of Brahms' settings for vocal quartet and piano duet. They are also the second half of George Balanchine's heart-stirring ballet, madein 1960, and last night entered into the Royal Ballet repertory. Brahms' *Liebeslieder Walzer* are domestic music, intended for the intimate surroundings of a drawing room where our great grand-parents made harmonious entertainment for themselves. And it is this quality that epitomises the tone of the first section of the ballet. The setting is a room, doors, open to the night, wherein the pianists and singers are found, with four dancing couples. And here is the only weak element in what is otherwise an hour of unalloyed delight. David Hayes' décor of silvery French windows trumpery furniture, and rachitic candles is hideous—like an ice-show's idea of *grand luxe*—topped with a vast ring of glittering tinsel, recalling the Goncourt's comment upon Charles Worth's house: "a nightmare of crystal drops." The dancers' costumes are not much better: frumpish satin, lace, and unforgiveable mittens for the women; tails coats and tights, and red flowers at their necks (they look as if they have tried to cut their throats) for the men.

But accepting the unappealing design, and all else is fine. In this first part, the dancers are social beings, the girls in heeled slippers, the range of the dance limited to the conventions of the waltz as ball-room activity. Good manners prevail; emotion is restrained, behaviour speaks of breeding, and the flirtations, the passages of feeling, the appeals and embraces, are governed by attitudes implicit in the evening dress of the dancers. But the waltz, the irresistible, giddying, intoxicating whirl of triple time, infuses every moment, and Balanchine's genius is never more apparent than in the richness of inventions he contrives upon this basis. Vergie Derman and Mark Silver sport and swirl; Lesley Collier leans and turns in Julian Hosking's arms; three phenomenal linked trios find exquisite permutations worked among Monica Mason, Derek Deane, Michael Coleman, and Derman; Jennifer Penney floats in and out of Coleman's reach. The variety, beauty, prodigality of Balanchine's choreography seem to spring with the most ravishing rightness from the music itself. Do they just waltz? Yes; but to amend the celebrated comment upon the minuet: *que de choses dans une valse !*

With the end of the first set of waltzes the curtain descends. After a brief pause, it rises again, and the candles have gone out, to be replaced by a starry sky. The women's ball dresses have gone, too, and their slippers; they are now in smokey tulle and point shoes, and to the *Neue Liebeslieder* set the waltz itself takes off. Reality has given place to the dreams that the giddying steps inspire in the flirting couples. The move away from the ball-room to the ballet-stage, from heeled slippers to point shoes, implies the freeing of the dance itself from the formal restraints of the waltz as a social dance. (It may also, inferentially, imply the freeing of the human body from the confines of social behaviour by the disciplines of the academic dance.)

The change also brings a sharpening of emotion: what had been concealed or contained by society manners, is now freed by the conventions of ballet. The lovers are franker, more intense, and also more isolated. The choreography treats them more clearly as couples than as a group of friends, and—naturally enough—Balanchine's invention soars. If I admit to finding more pleasure in the ingenuities of the first part, because of the way Balanchine sets and solves certain dynamic problems, it is not to deny that the second part of the ballet is as splendid as the first in choreographic grace. And at the end, as the quartet sings an envoy addressed to the Muses, the dancers return in their evening clothes; the stars dim, the candles flare up, and they rest, listening to the last notes of the last song. A beautiful, beautiful ballet has ended. As to performances: I must salute the quartet of singers and the pianists, and note that for the double quartet of dancers this is a first attempt at a difficult ballet. I thought Vergie Derman very lovely in everything, and Monica Mason grand in much that she did. But the beguiling, intoxicating waltz has not yet claimed all the cast: there is something conscientious and rather dry about their performance. It lacks the musical inevitability of the Balanchine manner, but that will come with experience in this magnificent acquisition to the repertory.

Warehouse

The Churchill Play

by B. A. YOUNG

Howard Brenton's *The Churchill Play* has been reviewed here twice before, so I can summarise the plot briefly. In 1984, the inmates of Churchill Camp (for British internees) are pressed by their welfare officer to put on a show for some visiting MPs. The commandant sees a rehearsal and insists on a softened story-line. The internees duly soften it, but use the occasion as an opportunity to organise a break-out. The subject of their play is Winston Churchill.

The play is packed with exciting incident, and Barry Kyle's direction keeps the whole witches' brew bubbling most effectively. In spite of the unrelenting frenzy, though, I feel now as I felt when I saw the play in Nottingham five years ago, that it is naive, misleading and insulting.

Insulting especially. New plays at the Warehouse commonly treat anyone but a factory-hand as a half-witted ass or a scheming villain, and Mr. Brenton's officers, NCOs and MPs naturally come into one or other of these categories. But the internees are as brutal and dishonest as the soldiers. Mr. Brenton apparently has nothing to express but his hatred of humanity.

It is a misfortune to suffer from such a disadvantage, but he should try to overcome it when he writes social drama. He was not born until 1942, and his tart denigration of Churchill cannot be based on more than post-war reaction, when the dangers through which that statesman led us were removed and we could happily look back and say how much better it could all have been done by someone else. Whether Churchill was a nice or a nasty man doesn't matter a scrap; he had a genius for conducting a nation at war, and this no more makes him a vampire than Clausewitz or Basil Liddell-Hart. Mr. Brenton's character who cries "You left us nothing!" displays simple ignorance.

However, the play is only incidentally about Churchill; the internees' play could as well have been about Nye Bevan, though not, of course, at the Warehouse. The real theme is law and order, and the fear that Britain may become a tyrannical dictatorship. Mr. Brenton can point to recent prison disorders in Belfast and Hull to show how right he is; what he leaves out of his argument is the indignation of society as a whole, even MPs, even army officers, when such things happen. In any case it is hardly profitable to judge society bp rison life, especially prison life created in a new and unpleasant shape expressly designed to lead to the pre-established conclusions.

The play is admirably performed by a company 20-strong, including the dog. (Mr. Brenton, intent on offending the British to the best of his ability, has the dog killed.) Hilton McRae, as the internee who arranges the break-out, can smoulder through a mob even when he has nothing to say; and Raymond Westwell, who plays Churchill in the play-within-a-play, glows with authority under his relaxed disposition.

One or two production details nagged me. The commandant (Paul Webster) has got his medal-ribbons on the wrong way round; and there seems to be a lot of smoking, of tipped cigarettes, among the internees, although they are so desperate that they sweep up the crushed remains of Churchill's property cigar from the floor. Do such trivialities matter? Yes—accuracy matters, most particularly in a play that purports to be dealing with history.

Leonard Burt

Raymond West and Hilton McRae

Festival Hall

National Youth Orchestra

Mahler's Fifth Symphony, given on Friday by the National Youth Orchestra of Great Britain, was not just another Mahler performance to bump up this year's Festival Hall total. For the players, it was an adventure, undertaken with the controlled enthusiasm, accomplishment, and freshness of outlook that transformed the experience into an adventure for even the most Mahler-exposed member of the audience.

Although the first two movement were spaciously laid out by Charles Groves, the sheer mass of tone available at climaxes was insufficient to squeeze out the last drops of turmoil, and it was wise of Sir Charles not to press too hard on sforzandos and other accent markings in compensation. The effect of following with broad yet buoyant accounts of the Scherzo and Rondo-Finale was to reconcile the emotional extremes of the symphony—the recall of second movement drama in the closing pages was carried off with a success that does not always attend more noisily intense performances of the work. There must be a word for the first horn (was it Richard Watkins?) who sidled with smoky tone and gentle phrasing in and out of the Scherzo solos; undemonstrative poetry of this kind ought to be the envy of more experienced orchestral players.

This was one of the best of the National Youth Orchestra concerts. It began with the Fanfare for Dukas' *La Péri*, which showed off the strengths of the brass battalions, later to be given more extensive employment in Mahler. In between, a bewitchingly nimble and unmechanical Prokofiev Third Concerto by Terence Judd, a young pianist for whom its wit, glittering invention and outcrops of romantic fantasy are obviously native territory. If the orchestra could not quite keep pace with him in the home run of the last movement, the feeling of breathless high spirits was not damaged thereby.

MAX LOPPERT

Arts news in brief

The Poetry Book Society Choice for Spring 1979 is *That Singing Mesh* by Terence Tiller, published by Chatto and Windus at £3.00. The 1,000 members of the Poetry Book Society receive four quarterly choices a year by post.

The Society's Spring Recommendation is *Barbarians* by Douglas Dunn, published by Faber and Faber at £3.00.

*

Michael Frayn's comedy, *Clouds*, moves to the Criterion Theatre on May 16. The cast is Elizabeth Estensen, Lewis Fiander, Mark Kingston, Paul Chapman and Mark Heath, and the play is directed by Michael Rudman.

The Duke of York's will be closed for overhaul and renovations on May 13.

*

The Lyric Theatre Hammersmith will once again re-open its doors on August 1.

Inside a new building in King Street, Hammersmith, the Victorian auditorium of the old Lyric is being restored. A new studio theatre has been added, along with spacious foyers, bars and a restaurant.

The first production in the new theatre—yet to be announced—will be staged in the autumn.

*

The judges who will award the £10,000 Booker McConnell Prize for fiction are Asa Briggs, Provost of Worcester College (chairman), Benny Green, Michael Ratcliffe, Paul Theroux and Hilary Spurling.

Concert of early music

The growing interest in early music is to be encouraged further next month with the opening of a new concert hall in Mayfair. A large room in the Grays Antique Market complex is to be given over to a series of eight lunch-time recitals of music from the 16th, 17th and 18th century. The concerts begin on May 9 with a recital by the counter-tenor Alfred Deller. He will be accompanied by Robert Spencer on a lute which dates from 1584.

The concerts are under the direction of Andres van der Beek and include Colin Tilney playing Scarlatti sonatas on the harpsichord and the Hilliard Ensemble with French chansons.

The room seats up to 150 and admission will cost between 50p and £1.

CRICKET BY TREVOR BAILEY

Problems facing sponsorship

A SURPRISING number of cricket lovers braved the cold, damp and dark conditions at Lord's on Saturday to watch the opening first-class match of the season, when the champions, Kent, met an interesting and powerful MCC 11 under Mike Brearley.

Not surprisingly the seamers made life difficult for the batsmen of the county, as they obtained some movement in the air and also off the slow pitch.

Kent were rescued by an impressive stand between Johnson and Knott, making his first appearance for them since signing for Kerry Packer. The presence of two such accomplished performers at seven and eight in the order, indicated the depth of the team's batting. They are likely to score heavily against other counties, but Kent's hope of retaining the title will largely depend upon whether, on good wickets, they can dismiss the opposition twice.

Again Underwood, who will not be called up for international duty because of his World Series Cricket contract, is likely to be the key figure and is bound to secure another large haul of victims.

As Johnson and Knott steadily accumulated runs and gained valuable practice one had time to reflect on some of the problems facing the game.

One of these was mentioned during the Kent dinner at Maidstone last Wednesday. The enormous enthusiasm and support for the game in the county were reflected by the presence of over 630 people, with more than 100 having to be turned away. This function officially celebrated the winning of the Schweppes county championship and the Benson and Hedges Trophy.

In his speech, Mr. John Carson, marketing director for Schweppes — who spend well over £140,000 on county cricket —mentioned that his company would be closing four of its 13 factories this year. Understandably its workforce, worried by the loss of jobs, have queried the justification for this financial involvement in the game. The unions concerned understand the need to advertise, but are suspicious of sporting sponsorship, because it is harder to quantify.

Nevertheless, in comparison with an advertising campaign either on television or in the national Press, the Schweppes cricket promotion is extremely cheap; while the return in name identification spread over the entire summer is very high.

The danger of sponsorship to cricket is over-dependence, as the first-class game could not exist in its present form without it. Fortunately at the moment there is no shortage of firms keen to promote cricket. warning to those responsible for the negotiations on behalf of the game: although now in a position of strength, they must avoid being too greedy and grasping, because the climate could change.

The really important cricket issue is of course whether Kerry Packer has been granted the exclusive television rights to Test cricket in Australia and if a compromise has been reached between the Australian Board of Control and WSC.

The new-found wealth of our Test cricketers is a direct outcome of the Packer revolution. Their earnings have virtually trebled in two years, so that provided they retain their places in the England 11 they make as much as they would by appearing in WSC, and enjoy it considerably more.

In order, one suspects, to keep the England players financially satisfied an untidy tour has been organised next winter to Australia, New Zealand and India.

Three Tests are to be staged in India, one in New Zealand and in Australia, besides meting State teams. England are scheduled to take part in an odd triangular, one-day limited overs competition with Australia and India.

It is to be hoped a compromise will have been reached before that tournament takes place,

Provided the Australian tycoon obtains the television rights, I think a compromise will occur. In this the contracted WSC players will be made available for official tests, and in return Packer will be permitted to organise a world series in Australia with the support of the respective Board's in late February and March.

TENNIS BY JOHN BARRETT

Top four ensure Dallas thriller

WHILE THE domestic season opened quietly last week with the Debenham's Cumberland Club tournament in Hampstead, the international action centred on Houston where the last four of the eight places in the World Championship Tennis finals in Dallas next week were being decided.

On Saturday at Hampstead, Chris Bradnam of Middlesex successfully defended his title by beating the Sussex left-hander Rohun Beven 6—3, 6—4 with something to spare but the women's title changed hands. Playing her first tournament since last year's Wimbledon, Linda Mottram was ignominiously dethroned 6—4, 6—1 by 18-year-old Jo Durie of Bristol who has clearly benefited from a recent visit to the South of France.

The two winners each received £200 in prize money, a sharp contrast to the $100,000 reserved for next week's winner in Dallas.

It has been a good WCT season. All eight tournaments have benefited from the fact that players win points both for the Dallas play-offs and the Colgate Grand Prix competition with next January's Masters as its showpiece.

Not surprisingly the four men who dominated the WCT circuit were Bjorn Borg, the man who he has just overtaken at the top of the world rankings—Jimmy Connors, the new world No. 3, John McEnroe and the U.S. No. 2 Vitas Gerulaitis, currently ranked fifth in the world. The presence of this quartet in Dallas assures next week's finals of probably the best field ever assembled there. Missing will be the world's fourth ranked player, Giullermo Vilas, who has gone home for a minor throat operation.

The absence of Arthur Ashe and Roscoe Tanner is more disturbing, however. If, as seems likely, it transpires that they are participating in exhibition matches next week organised by their manager Donald Dell, then it will be timely to remind ex-Association of Tennis Professionals president Ashe of his pronouncement that leading players should support the showpiece events.

A surprise arrival in Dallas is Gene Mayer, the younger brother of the 1975 Wimbledon doubles champion, Alex. Gene became a force in doubles himself last year when with Californian Hank Phister he won the French championships. Last week in Houston, Gene defeated the first and fourth seeds, Harold Solomon and Manuel Orantes, en route to the final, and after six WCT tournaments has finished in sixth place.

Owing to the absentees the last three Dallas places will be filled by the U.S. No. 3, Brian Gottfried, who finished ninth, and two Australians, John Alexander and Geoff Masters, who were equal tenth.

I have been fascinated to watch the advance of 20-year-old McEnroe. Ever since he spearheaded the U.S. Davis Cup victory last December on fast cement—in California and then captured the Colgate Masters I have been convinced that he has the ability to overtake both Connors and Borg. He is as fast as Borg, as competitive as Connors and does more with the racket than either. At present he lacks only experience.

But there are other momentous happenings next week. Due to a lack of liaison between the men's council and the International Tennis Federation, the Federation Cup, the women's international team event, is being played in Madrid. By now we ought to be able to avoid clashes of this sort.

The American girls, led by Chris Lloyd and Tracy Austin will start firm favourites, especially now that Evonne Cawley has withdrawn from the second-seeded Australian team. The British girls are in the Australian's half and must therefore have a great chance of at least reaching the final.

Virginia Wade, a rejuvenated Sue Barker, Michele Tyler and Anne Hobbs will all be in London this week practising under the watchful eye of Roger Taylor.

If the Yorkshireman can do as good a job with the girls on the slow Spanish clay as he did last November when the girls represented Britain as the Wightman Cup team at the Royal Albert Hall then perhaps the British girls might at last get their names on the one major international trophy that has consistently eluded them.

Lucinda Prior-Palmer fourth time victor

BY MICHAEL DONNE

LUCINDA PRIOR-PALMER created a new record yesterday by becoming the first rider to win the Badminton Horse Trials Championships for the fourth time. Her previous victories were in 1973, 1976 and 1977.

She had been in second place in the championship with her horse Killaire after the dressage phase on Friday, and went clear across country on Saturday, adding only 6.8 time penalties to her score, putting herself into the lead for yesterday's final critical show-jumping phase.

It was a close fight. The first three places in the championship were separated by less than five penalty points, the cost of having one fence down in the show-jumping.

But Lucinda rose to the occasion, and with a fluent smooth clear round sealed the championship and went into the history books on three-day event riding in this country.

Second in the championship was Sue Hatherly on Monocle II, Capt. Mark Phillips was third on the Queen's horse Columbus.

Princess Anne, riding another of the Queen's horses, Goodwill, was in sixth position.

Miss Prior-Palmer's achievement is all the greater in that all her four victories at Badminton were achieved on different horses. She can now therefore fairly claim to be regarded as the leading lady event rider in the world.

Saturday's gruelling speed and endurance phase brought grief to many of the other favourites in the competition, and of 39 starters on the great cross-country course, no less than 12 were eliminated or withdrawn, while five failed to start yesterday in the final show-jumping.

Of all the runners, only three went totally clear in the speed and endurance phase, with no time or jumping penalties—Princess Anne, Capt. Phillips and Sue Hatherly.

It was that kind of performance, together with good dressage marks, that put them so high among the leaders at the end.

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A framework for energy

FOR THE UK, as for other industrial countries, the future availability and price of energy should be one of the most important issues for public debate. Partly because of slow economic growth and partly because of the temporary advantage of North Sea oil and gas, a number of difficult political and industrial decisions have been deferred, but not for much longer; the next government cannot avoid dealing with them. Yet the Party manifestos have very little to say on the subject.

Multinationals

The Labour Party claims that the country's energy resources have been extensively developed "thanks to the skills of our workers;" the contribution from private capital, most of it from the dreaded multinationals, is ignored. The manifesto speaks of progressively increasing the national stake in the North Sea "to safeguard the British people and to regenerate British industry." The Tories promise a complete review of the British National Oil Corporation and incentives to encourage new North Sea production.

Although all three parties speak of the need for energy conservation, the manifestos give little guidance on the framework within which decisions on energy questions would be taken. If this lack of certainty stems from a recognition that the central government's ability to determine the pattern of energy supply and demand is extremely limited, so much the better. But the danger is that without clear criteria, consistently applied, governments will continue to take *ad hoc* decisions in response to political pressures, and the long-term objective of secure energy supplies at the lowest practicable cost will be jeopardised.

Manipulation

The starting point for an energy policy must be the principle of treating the energy industries as far as possible as ordinary industries, subject to normal commercial disciplines. This applies particularly to pricing. In the past few years there have been periodic attempts to manipulate prices to achieve social objectives or to boost artificially the competitiveness of one fuel at the expense of another. Last year's Green Paper on energy policy correctly stated that energy prices should "at least cover the cost at which energy supplies can be provided on a continuing basis, while yielding an adequate return to investment; since these costs will vary from industry to industry, the price of each fuel should reflect its own circumstances."

Putting this principle into practice is not easy, particularly in the case of gas, where the extent to which current prices should reflect future production costs is a matter for debate. But, as the Green Paper pointed out, energy prices should not be subjected to avoidable short-term distortions, so that producers and consumers can invest for the future with more confidence.

A second principle of energy policy should be flexibility. In view of the uncertainty over future supplies, it is essential to keep open a wide range of options. This must include continued investment in nuclear power as well as in new coal capacity. As for offshore oil and gas, there is a clear need for adequate incentives to maintain the pace of exploration.

Finally, there is a case for considering how far the Government, while laying down the broad lines of the country's energy policy, can be kept out of the details of its implementation. In energy, more than any other sector of industry, the politicisation of commercial decision has been taken to extreme lengths. Decisions—about procurement, for instance—which in any other enterprise would not even reach the board of directors become, in the case of the energy industries, the subject of Ministerial debate. The prolonged argument over the structure and ownership of the nuclear power industry illustrates the damaging effect of Government involvement.

Interference

Of course there are a number of matters in which the Government must be involved, such as the safety of nuclear power stations and depletion policy in the North Sea. But the degree of regulation and interference has been carried to a point where the operations of the commercial enterprises concerned, both in the public and the private sector, are seriously hampered.

A harder line in Pretoria

The West has long been virtually alone in trusting South Africa's good intentions over Namibia. Now this trust is once again being put to the test—and severely so—by South Africa's apparent willingness to consider an internal settlement in a second of its neighbours. Even before the outcome of last week's elections in Rhodesia became clear, the Democratic Turnhalle Alliance, which controls the "Constitutional Assembly" in Windhoek, called on South Africa to form an interim government in Namibia. And South Africa has stopped only just short of doing so.

Obduracy

Like Mr. John Vorster's unilateral decision to hold elections in South West Africa last December, such a move would be a direct rebuff to the UN in general and the Western Contact Group in particular. This group, consisting of Britain, Canada, France, the US and West Germany, has been trying to persuade Pretoria to end the policy of obduracy over South West Africa which it has maintained since the Second World War. Some members of this group continue to insist that they do not doubt the good faith of the South Africans. The announcement of the interim government, they suggest, could be to give the Constituent Assembly sufficient powers further to dismantle *apartheid* in Namibia. In their view it could also be intended to help Mr. Dirk Mudge, chairman of the DTA, to win the support of the so-called centrist groups in Namibia.

But even these optimists admit that the announcement of an interim government could be the step before a UDI. When the Western Contact Group was formed exactly two years ago the original idea was that the five front-line states—Angola, Botswana, Mozambique, Tanzania and Zambia—would "deliver" SWAPO and the five Western nations would deliver South Africa. In the event the five front-line states, in particular Angola, have been more successful than the West. Concessions forced on SWAPO include its agreement to defer demands that Walvis Bay, Namibia's life line to the oceans of the world, should not be an immediate part of the new state.

The Contact Group has been arguing that its plan will render groundless all South Africa's fears but the plan offers Pretoria its best chance. Backing up this argument is the claim that SWAPO is a partially divided force and that the southern border of Namibia is easier to defend than the northern one. But recently these appeals have been drowned by calls from politicians and Press in South Africa for the grouping of the white-dominated states in a solid bastion of which South Africa would be the military guarantor.

In these post-Muldergate days the bunker mentality seems increasingly to prevail. There is the desire to protect investments, while the views of the South African General Staff carry more weight. The latter apparently argues that the more it can support the anti-Neto forces in southern Angola the less dangerous is the Neto regime. It also fears that should Namibia fall to a regime hostile to Pretoria, Botswana (which has a 1,000-mile border with South Africa) would cease to be surrounded by white-dominated regimes and so could begin to play a more active role.

Emergence

Between 1946 and 1971 South Africa was able to fight the question of South West Africa in the International Court of Justice. During that period British, French and U.S. support was effective in preventing major sanctions against South Africa. Now the five members of the Contact Group are having trouble in holding the UN Security Council against an increasingly impatient General Assembly.

Underlying recent Western efforts to find a solution and such innovations as the EEC code of practice on South Africa is not merely a general change of political mood but also the emergence of black Africa as a major economic force. South Africa must demonstrate that the West's trust has not been misplaced if it is not to find that having lost the battle for the mandate it is now to lose that against mandatory sanctions.

Recipe for recovery of Japanese steel

BY RICHARD C. HANSON in Tokyo

THE JAPANESE steel industry has an estimated 40m tons of capacity lying idle out of a total of 145m tons p.a. Its exports face quantity controls in Europe and a "trigger price" system designed to restrain price competition in the U.S. Yet the mood, at least among the big integrated steel makers, is more cheerful and confident today than any time in the past three years.

That is true particularly when they weigh their future prospects in world steel trade. The moral seems to be that, whatever trends emerge in the world and in the domestic economy, the men who rebuilt the oldest and most powerful Japanese industry from the ruin of World War Two retain the knack of turning them to advantage.

Business has been difficult for the steel industry during most of the period since oil prices quadrupled in 1973. The aftermath of the OPEC decision was a steep drop of domestic demand by 1977 to only 70 per cent of the pre-oil crisis peak. Exports soared, but were met by restrictions in Europe and the U.S. Meanwhile steel companies were forced, as the price of raw materials and fuels rose by leaps and bounds, to raise prices during four consecutive years to 1978, reducing their international price competitiveness. The price gap between the U.S. (the biggest market in the world) and Japan on most blast furnace products was almost eliminated.

Change in demand

Domestic demand during the post-oil crisis years underwent serious structural change. During 1964-73, GNP expanded by 10.2 per cent annually, which translated into a growth of steel demand of nearly 14 per cent a year. Real GNP growth fell to less than a third of the previous rate in 1974-77, and fixed capital investment (which used to account for 70 per cent of steel demand) fell from 37.2 per cent of GNP to 31.3 per cent in 1977. Even the importance of private capital spending in generating demand fell considerably. The steel consumption of shipbuilders and of the construction industry has declined, while that for motors and electrical machinery has risen.

Thus at the end of 1978, the Japanese steel industry was operating only 43 of its 69 very efficient big blast furnaces. There is no thought of further expansion within the industry, beyond a new blast furnace scheduled to be completed by Nippon Kokan this year. Investment in equipment this financial year will be up 15.1 per cent to Y513bn (about £1.1bn) as a result of expenditure on the new furnace, though the other four majors will show hardly any change. Last year spending fell by 20.4 per cent.

In fact, the five big steel companies, other than Nippon Kokan, this year for the first time will be paying back large amounts of loans. Kawasaki Steel, Nippon Steel, Sumitomo Metal Industries and Kobe Steel top the list of planned loan retirements this year, totalling Y140bn.

If the industry were planning major capital spending programmes, this would be the time to tap the markets for low cost loans. Instead, the companies are taking steps to reduce debt burdens in preparation for a decade of slow growth of production. As recently as 1975 projections current in the industry said, optimistically that production could reach about 150m tons by 1980 and 175m tons by 1985. The latest projections are for around 110m tons in 1980 and about 120m-125m tons by 1985. This still leaves a gap between capacity and actual output of around 30m tons.

Given the unprecedented difficulties of the recent past, it may be somewhat surprising to the casual observer that the Big Five steelmakers in Japan found when they closed accounts for 1978-79 on March 31 that for the industry as a whole operating profits had recovered remarkably to what is believed to be the second highest ever. Sales rose steadily and all but one concern (Nippon Kokan, hampered by a stagnant shipbuilding division) were about to restore a mid-term dividend dropped during the two prior six-month terms.

After 1½ years of an aggregate operating deficit of the Big Five on the actual production of steel, the companies have not had to resort to selling off assets and securities in order to return a profit. Further gains in operating profit and sales are being forecast this year.

The immediate reasons for the recovery can be traced to an improvement of export prices from as low as U.S.$263 per ton of ordinary steel in July, 1975. From May, 1978, after the trigger price mechanism had been established in the U.S. market, prices have climbed sharply to nearly $400 per ton. This combined with sharp increases in domestic spot prices and rising domestic demand.

IMPROVED FUEL EFFICIENCY

	1970	1977
Fuel rate*	518	472
Coke rate*	478	434
Production rate†	82.4	88.4
Continuous casting ratio	7%	47%

*Kilos per ton steel. †Rolled products and semis per ton crude steel in per cent.
Source: Japan Iron and Steel Fed.

Raw steel production in the first quarter of 1979 was up 11.7 per cent over the comparable quarter a year ago.

For the year to March 31, crude steel output was up by a much more moderate 4.4 per cent to 105.03m tons (which is 12.5 per cent below the peak recorded in 1972-73).

Rising domestic demand is offsetting a declining export volume (down 7.2 per cent in the year to March 31) and the outlook is for continued, but gradual recovery. This year's production as set by Ministry of International Trade and Industry (MITI) guidelines appears likely to keep prices firm. (The guidelines system is traditional in Japan. In the current crisis the European Coal and Steel Community has adopted something comparable.) Inventories have shrunk to comfortable levels in Japan.

JAPANESE STEEL: PERFORMANCE AND PROSPECTS

Fiscal year	Home demand	Exports	Output	Operating rate (%)
1970/1	69.31	23.22	92.41	94
1971/2	60.14	28.34	88.44	87
1972/3	76.19	26.97	102.97	98
1973/4	89.35	30.90	120.82	100
1974/5	74.76	39.49	114.04	88
1975/6	65.67	36.05	101.61	77
1976/7	66.74	41.78	108.33	77
1977/8	62.21	38.68	100.65	69
1978/9*	69.40	35.48	104.88	71
1979/80†	75	34	109	73
1980/1†	77	35	112	75
1983/4†	83	42	125	83

* Estimates by Nomura. † Projections by Nomura.
Source: Japan Iron and Steel Federation

Actual results surprising

When the U.S. Government implemented a system of "trigger prices" in April of last year there was much fretting over how it would affect shipments from Europe and Japan. The minimum prices were based on the estimated cost of producing in Japan—the world's most efficient producer.

Actual results have been somewhat surprising. Shipments in 1978 from Europe to the U.S. increased 9.2 per cent as demand in the U.S. improved. (U.S. mills are operating at nearly full capacity at present.) Shipments from Japan to the U.S. have declined, down 13 per cent in volume to a 30.7 per cent share of the import total from 40.5 per cent in 1977. The share of European Community producers remained steady at around 35 per cent.

The Japanese are not complaining because the trigger price mechanism caused export prices to rise to a point nearly offsetting in value terms the decline of export volume. Moreover, the higher (perhaps artificial) price levels in the U.S. market have set standards for the greatest part of world steel trade.

Perhaps much to the chagrin of emerging producing nations like South Korea, Japan has become firmly convinced of the benefits of controlling world steel trade through price manipulation and voluntary restraint (considered preferable to imposed restraints). It is argued that the higher prices in the U.S. under controls will help the U.S. industry generate revenues needed to carry out major replacement and improvement of plants and equipment.

This in the long-run, the Japanese feel, will benefit the consumer who might complain bitterly about the high prices being paid now. They chide the American industry for not having taken full advantage of previous periods of self-restraint in exports to the U.S. market in the late 1960s and early 1970s to strengthen its position.

The Japanese were among the first to be converted to controlling world steel trade. It was, one may recall, the chairman of Nippon Steel, Mr. Yoshihiro Inayama, who many years ago introduced the term "orderly marketing" to world trade vocabulary.

The executive vice-president of that same company, the largest integrated steel maker in the world, Mr. Yuzuru Abe, in a recent speech in the U.S. went so far as to say "until the current significant demand-supply gap can be closed ... some co-ordination is necessary in order to maintain fair international trade." Conventional principles of free trade are not enough to cope with the additional tonnage from the emerging nations or the continued flow from government-controlled steel producers.

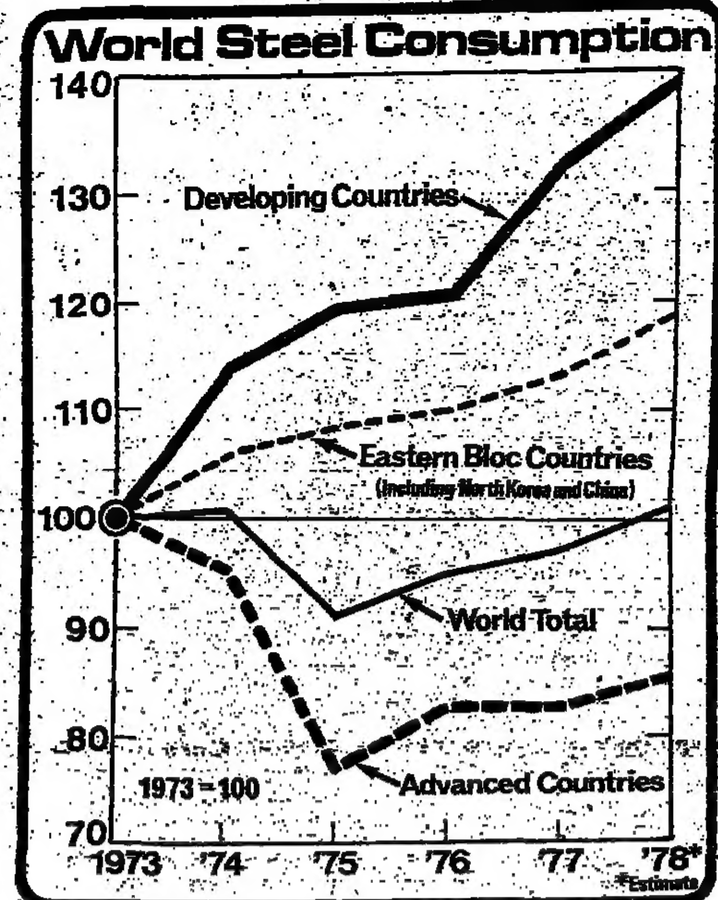
The trigger price mechanism "can be looked upon as the notable first step forward," Mr. Abe said, though noting that some disadvantages and loopholes remained.

Japanese eagerness to moderate exports of course reflects a fear of more stringent protectionist measures. It will take at least until the middle of the next decade for some relief from the burden of worldwide oversupply.

Growth of demand

Demand for steel outside the big three traditional markets—the U.S., EEC, and Japan itself—has grown faster than demand in the Big Three. This trend, since the early 1970s, is expected to accelerate in the 1980s. The Big Three accounted for 54.3 per cent of world demand in 1970, 45.9 per cent in 1976, and may fall to only 41.2 per cent by 1985, according to a projection made by the Nomura Research Institute.

The Japanese share of the expanding "other market" has gained just as steadily as the Big Three market has declined. In 1970, Japan supplied only 31 per cent of the needs of the "other market" but had advanced to 43.9 per cent by 1976 and is expected to be supplying nearly 50 per cent in 1985.



It is not difficult to imagine a situation where Japanese exports to the industrialised world remain flat at prices kept at levels high enough to prove very attractive. At the same time, Japan is poised to meet successfully the requirements of areas where demand for steel is emerging. This is particularly true of neighbouring China, which this year will become the biggest single market overseas for Japanese steel, in place of the U.S.

Only Japan and the EEC have sufficient amounts of excess capacity in the broadest range of steel products to adapt to new and changing areas of demand. From the Japanese point of view, the growing economies of countries like South Korea and Taiwan will pose only limited competition in the export market. Both of those countries still import more steel than they export.

This leads on to the question of how Japan can justify a large measure of confidence in its steel industry. Although it is generally felt that the level of understanding, technology and knowhow in the still somewhat mysterious processes of making steel is unsurpassed by the steel making of any other country, Japan has always been heavily dependent on innovations and technology developed in both Europe and the U.S. This includes basic oxygen steelmaking and the process of continuous casting, both of foreign origin, but used much more extensively in Japan than in either Europe or the U.S.

When asked by an American steel man whether in 10 years' time Japan would still be producing the most cost-competitive steel in the world, Mr. Abe of Nippon Steel replied simply "yes." The reason: the Japanese industry wants it to be thus. How will it be achieved? The workers who actually make the steel work harder, like working harder, and like to be ingenious.

Since the oil crisis, the Japanese industry has improved its specific energy consumption by introducing continuous casting; it has computerised heavily to reduce manpower, and upgraded its existing mills. Most of its blast furnaces have been built since the start of the 1960s. The last open-hearth furnace was scrapped in 1977. As mentioned earlier, it has also improved its financial condition.

Innovations make savings

To give just one example, Nippon Steel announced last month that it achieved its goal of a 10 per cent cut in energy consumption, set in 1974, two and a half years ahead of schedule. Most of the saving was the result of innovations originating at mill floor level.

Overall employment in the steel industry was cut 12 per cent since 1975, without resort to layoffs, relying instead on natural attrition and voluntary retirements.

Good though all this may sound, prospects for the industry are, nevertheless, not assured. The prices of raw materials and fuels will continue to rise worldwide. The timespan between boom and recession in the steel industry has shortened, conceivably since the oil crisis. The present recovery could again be shortlived if the domestic economy (still the basic strength of the industry) falters under the weight of rising inflation.

However, the Japanese steel industry has demonstrated that it works well under adverse conditions and there is little reason to doubt at this juncture that it will continue to do so in the future.

MEN AND MATTERS

Less froth from Allied

It has been the custom of Allied Breweries to hold its annual general meetings at the London Hilton and give the shareholders a bit of a thrash-up. Not so in 1979: the AGM will be held on May 15 at the Chartered Insurance Institute, a grand but distinctly austere City edifice.

There will not even be a cup of Red Label tea and an individual fruit pie apiece, which one might have thought fitting to mark Allied's takeover of Joe Lyons in the last financial year.

The explanation by chairman Keith Showering is that because of the Lyons acquisition, Allied is revamping its accounting dates. So the AGM will merely be for the election of directors and an extraordinary general meeting will happen in July for adoption of the accounts and declaration of a final dividend. Showering says that "neither of the two separate meetings justifies the kind of arrangements made in recent years."

I asked Sir Derrick Holden-Smith, head of Allied's beer division, how long this abstemious regime might last. "This is just the occasion for a pause and a re-think," he assured me. Anticipating the suggestion that the Board was too tight-pursed to push the boat out twice in one year, he said: "I hope you won't suggest we're being mean. I expect we shall go back to providing hospitality in 1980."

Flight to jail

One of the more baffling aspects of the arrest of two young Englishmen in Zambia, where they arrived allegedly to "fight for Ian Smith," is that they stepped off an Aeroflot plane. They had come, it was reported, from Moscow—and seemed to imagine that the flight ended in Rhodesia.

I find that the likely explanation is Aeroflot's practice of offering cut-price trips to Africa through "bucket-shop" operators in London. The Russians will take you to Kenya, for example, by way of Moscow, at approximately half the regular price. From there, its scarcely-filled and politically-motivated service goes on to Lusaka.

It seems likely that the two would-be adventurers were cutting costs, but did not realise that Aeroflot stays strictly north of the Zambezi.

"... and a Queen's Award to Industry should have gone to the Government, for their contribution to the export of brains."

Tax confessions

Tax collectors the world over tend to keep their heads down, but I see that the New Zealand Inland Revenue is indulging in some discreet official blackmail. An item headed "Voluntary Disclosures" in the *NZ Chartered Accountants' Journal* lets it be known that the Revenue has been "increasing its audit coverage" and that the consequences for tax offenders can be "very painful."

The other side of the coin is that those with troubled consciences can have the pain "substantially eased" by telling all. The advantages listed are: no court action, only nominal interest on the tax evaded, a promise of "strictly confidential" treatment of the case. Above all, perhaps, "the taxpayer's name will not appear in the NZ Gazette."

Cabin coinage

Fasten your lapstrings: a new word is in the air. A full-page advertisement by Boeing, crowing over the British Airways order for the 757 aircraft, describes the space available to passengers: "Garment bags lie flat. And there's still room for carryons."

They do not, of course, refer to carrying on in the sexual sense, nor even to over-tired businessmen heaved aboard on stretchers. Just what old-fashioned folk call hand-luggage.

Lime Street lift

Lloyd's will metaphorically sprout wings at the weekend, when a pre-constructed "office pack" will be hoisted eight storeys to the top of its underwriting building in Lime Street. The street will be shut while a *150 ft crane lifts the sections* from the backs of heavy lorries.

Already, wits in the insurance market are dubbing the staff who will work in this 4,000 sq ft addition as "Lloyd's penthouse pets." Permanent extra space may, in time, be created by rebuilding the grandiose 1928 Lloyd's building across the road: but that may be a slow starter, because of opposition from conservationists to the demolition.

The penthouse is being supplied by the Hallam group of Nottingham. A convoy of 13 vehicles will set out for the City on Friday. The lifting work has to be completed by 7 am on Monday morning, so that Lime Street can open for business as usual.

Fast breeder

Brazilian goat-fanciers are apparently becoming a trifle impatient with British goat breeders, from whom they would dearly like to buy 1,000 hard-wearing, cactus-consuming Anglo-Nubians for the north-east of the country.

For their part, the breeders insist that there are simply not enough goats, and those there are cannot be persuaded to breed fast enough. The Brazilians, expected here shortly, are not impressed.

The word is that French negotiators have been highly energetic during the last two years, and French goat-breeders—"highly organised" according to non-French sources—are waiting in the wings with their *own practically identical Franco-Nubian* breed. Appropriately enough, its goatish instincts are very lively.

Chinese cheer

European wine-growers, sloshing about in their lakes, can take comfort that one distant competitor has ambitions in a completely new market. The Australian vineyards are now anticipating big business in China.

A Hong Kong distributor, after consulting his pocket *calculator, has discovered that if* every Chinese drank one glass of wine a year, they would need 200m bottles. Already, Australia is selling 400,000 cases a year in Hong Kong and its exporters are helped by their geographical advantage over European and American rivals.

Old Lib

A colleague reporting the mood in a Lancashire election marginal decided to try some "vox pop" investigation in the street. He approached a little old lady, well into her seventies. "I did not approve of the Lib-Lab pact," she said. "You see, I used to be a Young Liberal." It was clearly the kind of deal that would never have happened in Lloyd George's day.

FINANCIAL TIMES SURVEY

Monday April 23 1979

Saudi Arabia

Saudi Arabia has been placed in a cruel dilemma by the Egyptian/Israeli peace treaty and has opted for safety in the Arab fold of rejection. No longer can it be expected to meet increased international demand for oil. Meanwhile, the Saudi rulers still struggle to reconcile rapid development with the maintenance of tradition.

The wages of wealth

By Richard Johns, Middle East Editor

AS MUCH as ever Saudi Arabia remains a riddle enveloped in an enigma wrapped up in increasing layers of billion dollar bills. Yet nothing can disguise the fact that the Kingdom is more confused, perplexed and apprehensive than at any point since 1970 when it emerged, by virtue of its fabulous petroleum resources, to a prominence out of all proportion to its scanty population.

Now that it has been catapulted into the centre of world politics it is difficult not to discern some kind of nostalgia for the days of obscurity.

Because of its pivotal position as an oil producer, and the paper wealth amassed over the past five years, Saudi Arabia finds itself at the centre of the turbulent winds swirling around the Middle East. The feeling of exposure to the malevolent forces of international Marxism is bad enough in itself. It has been made more chilling by the cooling of relations with the U.S., its great ally to whom it implicitly looks for protection in the last resort.

The regional and international conjuncture is even more uncomfortable at a time when the Kingdom is grappling with considerable success with a programme of economic development more rapid than any other state can have experienced. And, trying none too convincingly, to reconcile it with a system of government derived from tribal life of a different era—the influence of a priesthood whose thinking is rooted in the seventh century and deeply rooted traditionalism in sectors of what is a variegated society.

Last month's Egyptian-Israeli peace treaty has put a grave strain on Saudi Arabia. Not since the October War of 1973 when it threw its weight behind the Arab embargo on oil supplies to the U.S. has the Kingdom been so contorted by inherent contradictions between two articles of its foreign policy that it sees as fundamental to its security and well-being: the cultivation of a close friendship with the U.S. and promotion of the maximum pan-Arab consensus.

Saudi Arabia's predicament has been all the more cruel because of its special interest in Egypt and the maintenance at the centre of gravity of the Arab world of a moderate pro-Western regime. It has lavished several billion dollars to this end since President Sadat's expulsion of Soviet military advisers in 1972.

So, last November at the Baghdad meeting of foreign and economy ministers, it resisted hard and bravely pressures for the imposition of sanctions against Egypt before the signing of a treaty. This month, however, it succumbed to them with misgivings and, it can be assumed, only after much agonised debate in the Saudi ruling hierarchy. In the event the pan-Arab imperative won the day.

From the start the prospect of a bilateral peace treaty between Egypt and Israel offering no promise of major Israeli withdrawal from occupied territories could cause only great anguish to the Kingdom, not the least because of its complex relations with the U.S.

Frenetic

Until President Carter's frenetic bid to conclude the pact the American Administration appeared to be labouring under the false belief that the Saudi monarchy was secretly opposed to the creation of a Palestinian state and had paid only lip-service to the concept to appease more militant Arab forces.

True enough, Saudi Arabia would be opposed to a radical, ideologically Left-wing entity arising on the West Bank and Gaza Strip. By assiduously courting and massively funding Mr. Yasser Arafat and the more moderate elements in the Palestinian national movement, it has consistently endeavoured to insure against such an eventuality.

Certainly, such a potentially vulnerable country and such a system of government cannot risk alienating itself from the pan-Arab mainstream. That is why the Kingdom has sought to identify itself with the maximum consensus possible while also using the funds at its disposal to moderate it.

President Carter should have realised that Saudi Arabia might have difficulty in approving a partial settlement of a kind that had not only been raucously condemned by Syria and Iraq, but also quietly rejected as inadequate by King Hussein of Jordan at the time of the original Camp David accords last September.

He might also have spared a thought for the possible repercussions of an endorsement if he had noted a warning given early in March by Mr. James Akins, a former U.S. Ambassador to the Kingdom, who remains on intimate terms with the ruling hierarchy and is a leading authority on the country.

He warned: "If the current Saudi Arabian Government were, in fact, to underwrite a separate Egyptian-Israeli peace, it would be overthrown by members of the Royal Family or by some other constellation of forces."

The substantive issues at stake, including the restoration of Jerusalem's Old City to Arab sovereignty do very much concern the Kingdom.

Washington's apparent assumption up until this January that the Kingdom would not oppose a bilateral treaty and its hope that, after a decent interval, it might in some way endorse the pact was not only naive. It was also deeply offensive to the Saudi regime, which was angered at being taken for granted and not being consulted.

Confidence had already been shaken by the call by Senator Frank Church, Chairman of the Senate Foreign Relations Committee, both for a fundamental review of U.S. policy towards Saudi Arabia because of the Kingdom's non-co-operation with the Camp David process and for a review of last year's decision to sell F-15 Eagle aircraft to the Kingdom.

In effect, he seemed to be saying that if the Kingdom, which originally welcomed the Camp David summit though with scepticism, did not support President Carter's diplomacy, the U.S. should withdraw its unwritten commitment to defend the Kingdom.

In the Saudi view President Carter's Administration has failed miserably in this respect—to the detriment of its own and the West's interests as well as the Kingdom's—by not preventing Communist encroachment on the Arabian Peninsula.

Objectives

Saudi Arabia has never had any doubt that one of the Soviet Union's strategic objectives is to gain a stranglehold on the oil fields of the Gulf and the supply routes from it. The consolidation in power of Communist regimes in Ethiopia and Afghanistan only strengthened the conviction.

Subsequently, and more alarmingly close at hand, Riyadh witnessed the revolution in Iran. The Royal House had no love for the Shah. Indeed, it resented his geopolitical pretensions, both fearing and feeling humiliated by his grandiose military expansion.

But it was still dismayed that President Carter would or could not do anything to save him. And the termination by the U.S. of its treaty with Taiwan, with which Saudi Arabia has developed close ties, seemed a betrayal.

At the beginning of the year the Marxist regime in Aden showed that renewed inclination towards militancy that led to the fighting between the two Yemens. Alerted at last to Saudi Arabia's disillusionment with its policy, the U.S. offered a show of support to Saudi Arabia and announced the speeding up of arms deliveries to North Yemen.

Because of Camp David, Saudi Arabia was embarrassed to ask for or receive U.S. backing when it most needed the demonstration of it.

Initiative

Significantly, Saudi Arabia took the initiative in seeking a diplomatic solution to the Yemeni dispute within the framework of the Arab League. Having taken such a course it blessed a settlement of the conflict that was based on agreement by the two republics to merge.

The plan, if implemented, may only bring the Marxist peril closer. The invasion of North Yemen by exiled dissidents backed by South Yemeni regular forces and Cuban advisers was halted only by intense pressure on Aden from Syria and Iraq. The result probably will be a lessening of Saudi influence over events in Sanaa where—out of a deep-seated apprehension of its more populous neighbour—it has used its liberal subventions of gold and money in the past to prevent any strong regime coming to power.

One of the most remarkable consequences of Camp David has been the close links quickly forged with Iraq which, until recently, Saudi Arabia saw as the biggest threat to the conservative regimes of the Arabian Peninsula.

A significant but almost unnoticed event this February was the signing of an accord with Iraq covering co-operation in matters relating to internal security—or in other words, the prevention of subversion.

It expressed a new trend in Saudi policy towards ensuring stability through co-operation in an Arab context, even with regimes of a very different ideological hue and in particular the new power centre that has emerged from the reconciliation of the Iraqi and Syrian Baathist regimes.

A similar approach to the containment of Marxism was also discernible and was dramatically highlighted by Iraq's warning to the Soviet Union against any violation of Saudi Arabia's sovereignty.

As a result of its disenchantment with the U.S. the Government did not discourage speculation that it might respond to Moscow's overtures by establishing diplomatic relations with Russia. The Kingdom can be relied on not to do so. However, in order to disarm the Marxist threat it is moving to a modus vivendi with the Soviet Union.

Two years ago Crown Prince Fahd gave assurances of the Kingdom's willingness to help the U.S. build up its strategic stock-pile if Washington continued working to bring about peace. For their part the other Arab states have looked to Saudi Arabia's leverage constituted by its oil resources to obtain a satisfactory resolution of the Arab-Israeli conflict.

Now it can no longer be so amenable about supplies and prices because of the extent of Arab opposition to the peace treaty, quite apart from its anxiety about conserving oil reserves and doubts about the capacity of existing fields which have recently become apparent.

At the last OPEC meeting Sheikh Yamani, Saudi Arabia's Oil Minister, would acknowledge that the "special relationship" with the U.S. had been badly impaired and expressed hopes that it would still achieve a comprehensive settlement. However, he was emphatic in stating the Kingdom's opposition to helping the U.S. in any way to replenish its oil stockpile.

At the least it can be said Saudi dissatisfaction with progress towards a settlement has had a negative effect on the issue of oil supplies and prices. In the longer-term the country's leaders have left no doubt that at some point they might be forced to bring pressure on the U.S. and the West by joining other Arab producers in drawing the oil weapon from its scabbard.

More immediately serious is the certainty that the Kingdom will not physically be able to meet incremental demand for oil even if it were willing to. Just over two years ago the Arabian American Oil Company was talking in terms of production potential of up to 25m barrels a day, although it was then clear the Saudi Government would not contemplate more than half that figure. Now it seems the Kingdom may have difficulty in sustaining a level of 12m b/d before 1987 and is unlikely to permit anything more than 8.5m b/d for the foreseeable future.

It would be surprising if there had not been intensive debate within the Saudi ruling hierarchy over whether or not to back the call for sanctions against Egypt. The probability is that Crown Prince Fahd, the First Deputy Premier and the effective chief executive, opposed the rigorous nature of those adopted at Baghdad. He is known to be the most pro-U.S. of the senior princes. But to deduce from this fact and his less than perfect health that his influence has been diminished is to betray a lack of understanding about the decision-making at the heart of the Royal Family.

The principles of consensus and the preservation of unity are sacred. Disregard of them can only imperil the system, as the senior princes who make up the real power centre are well aware. Similarly, legitimacy is respected and Crown Prince Fahd would only step down from his position by his own volition and to the dismay of most of his colleagues.

Speculation about the possibility of King Khaled abdicating appears to be ill-founded despite the fact that he underwent another heart operation last autumn. The evidence is that the King is an important factor in helping the leading princes to reach consensus and enjoys carrying out the function. As the chosen head of state a sense of duty alone will probably keep him going as long as he is able to fulfil honorific functions and wield a pen to sign decrees.

His continuation in power saves the Royal Family from the decision as to who should be made Crown Prince at the time of the next succession—if it has not been made. The contenders here have been Prince Abdullah, Second Deputy Premier and Commander of the National Guard, or Prince Sultan, Minister of Defence. By virtue of seniority by age and the need for a correct balance the choice is expected to be the conservative Prince Abdullah, who has strong ties with the important tribes of the Najdi heartland of the country, rather than Prince Sultan, the present Crown Prince's full brother, who is classed as a "progressive"—a relative term in the Saudi context.

That would be in line with the general trend of internal policy. Conservative forces have been in the ascendant over the past two years, especially those of religion. King Khaled has been far more open to the special views of the *ulema* than King

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Slower growth planned

THE ECONOMY

RICHARD JOHNS

FIVE YEARS ago, when the world was still recovering from the shock of a near threefold escalation in the oil prices in almost as many months, few forecasters would have hazarded a guess as to when Saudi Arabia's receipts and payments would be more or less in balance. It seemed as if the Kingdom would remain indefinitely in substantial surplus. By the beginning of last year the country's ability to absorb oil revenues on a scale much greater than anyone had expected was recognised. Even so Saudi Arabia was expected to earn excess revenues of $10bn or more in the course of calendar year 1978. In the event, it was probably in deficit during the latter part of the year.

Almost bewilderingly, the picture now looks different again as a result of the Iranian revolution, the cut-off of Persian oil supplies and the demand pressures that led to an increase over a three-month period of nearly 15 per cent in the basic price of oil. The turnround last year in the Kingdom's financial situation was an extraordinary one, and the revenue squeeze felt during that six months period will undoubtedly prove to have been temporary. Nevertheless, the experience has changed Saudi Arabia's economic perspectives and is likely to have a lasting effect on its thinking.

Saudi Arabia was as aware as any other member of the Organisation of Petroleum Exporting Countries of the erosion in the purchasing power of oil revenues. The sudden change in its circumstances brought the point home forcibly to the member best able to take a relaxed view of the phenomenon. It has had the effect of making the Kingdom more anxious than ever to maintain the purchasing power of its per barrel revenues and has intensified its obsession with inflation.

The short-lived reversal of the Kingdom's fortunes has to be seen in the context of accumulated foreign assets that totalled $60bn at the end of 1977.

However, it reflected the remarkable success of the Saudi Government in overcoming the severe physical, institutional and human constraints on development spending since it embarked upon its second five-year plan in the summer of 1975, drastically reducing inflation. At the same time, the shortfall in revenue last year emphasised the extent to which the Saudi economy is still based on one product and is, in theory, correspondingly vulnerable.

Slack

Oil accounts for over 90 per cent of state revenue and—including refined products—nearly all the country's exports. As a result of market conditions that were slack until the last quarter, production fell by nearly 10 per cent last year, during which the price remained stable. Government disbursements, meanwhile, continued to rise in both absolute and real terms until last summer. Expenditure in the fiscal year ending last June amounted to about SR 130bn (the equivalent of $38.7bn at the current exchange rate), an increase of some 30 per cent over the level of 1976-77.

For the first time since 1970 Saudi Arabia found itself contemplating a situation in which expenditure would exceed current revenues. In 1977-78 it managed not only to disburse appropriations fully but even exceed them. The final outcome, belatedly published by the Saudi Arabian Monetary Agency a fortnight ago, shows that spending was 17 per cent more than the budget figure of SR 111bn. The latter was only fractionally more than the aspiration expressed in the targets set for 1975-76 and 1976-1977, when disbursement rates were 73 per cent and 95 per cent respectively.

Last year's deficit was strictly speaking a budgetary one. Actual revenues would have been marginally higher than the amount earmarked for the budget. For Saudi Arabia fiscal and payments are closely related because of the state's predominant role in generating economic activity. Notwithstanding a significantly greater outlay on imports (up by about one-third), services and transfer payments (not the least from foreign workers' remittances), SAMA estimated that the balance of payments surplus in 1977-78 was the equivalent of $13bn, only a slight decline from the $15bn calculated for the previous year. The greater part of this must have been accounted for the July-December period of 1977, when Saudi Arabia aligned its oil price with that of other OPEC members at a level 15 per cent above the previous year. By the early summer of last year, it seems, the Kingdom was moving into some kind of equilibrium on current account.

That might have been regarded as a healthy phenomenon by the Kingdom itself as well as the world at large. The Saudi Government has complained in the past about the decline in the value of its accumulated surplus as a result of the dollar's depreciation, and insisted that it would prefer to use the money for development. Some 80 per cent of its foreign assets are held in the form of dollars for want of alternatives, and for the most part in long-term securities.

Alternative

In 1977 Saudi Arabia would have lost through depreciation more than the $4.5bn it earned in interest. Its position, however, has not been the same as that of Kuwait, which has deliberately built up a fund to provide an alternative source of income for future generations. The Kingdom's accumulated assets invested abroad should not be regarded as such, says the Saudi argument, but rather as money awaiting disbursement as soon as it can be absorbed.

It has its own arrangement with the International Monetary Fund whereby only a small proportion of its reserves are accounted by the monthly statistics reporting members' gold and foreign exchange reserves—though the bulk of the country's foreign assets would qualify as liquidity. Last April the figures recorded fell from $28.72bn to $21.07bn as foreign exchange cover of note issue was deducted from the total. The Kingdom's sensitivity about the size of a surplus, so disproportionate to its native population of no more than 5m, is understandable—although it need feel no shame on the score of its generous performer as an aid donor.

When last September the Government had to ask SAMA to transfer SR3.2bn in extra-budgetary funds, it rather uncharacteristically announced the fact in the Official Gazette. On the occasion of the withdrawal of another SR6.7bn in February, Mr. Mohammed Aba al-Khail took the opportunity to say that it showed "We are only investors on a temporary basis."

Accumulated reserves are sufficient to cover nearly two years' state expenditure and rather more than three years' imports at their current level. However, when confronted with the prospect of a deficit early last summer, the Government reacted by cutting back the appropriation of SR145bn originally proposed to SR130bn. One sound policy consideration behind the decision was to adjust disbursements to a rate that would not cause unacceptable inflation.

However, a second factor, totally at variance with the officially stated thinking about the surplus, that seemed to figure quite as large, was the almost peasant-like concern that the Kingdom should not live beyond its means. Oil production was running at a low rate at the time, admittedly, but was expected to show signs of recovery by the end of the year, anyway.

There have been positive elements amid confusion. The examination of appropriations showed that there was plenty of fat to be cut away, and the budgetary revision is said to have been a worthwhile exercise in stringency. One result has been a formal attempt to educate officials in cost evaluation. Inevitably, existing contracts came under close scrutiny. Despite the campaign against "inflated bids" two years ago and the fact, that, if here was once collusion in bidding, the contracting market is now very competitive, the Government claimed to have discovered many cases of totally unjustified overpricing and loaded contingencies.

No sooner was the January 1 oil price rise annoced than Dr. Ghazi al Gossaibi, Minister of Industry and Electricity, said that suppliers of goods and equipment had suddenly increased their prices. The principles of strict cost control and fiscal restraint are still being pursued with zeal and would be praiseworthy objectives in themselves. As it is the hapless victims of the campaign have been those contractors whose payments are months in areas, even when no dispute over performance exists and although the flow of revenue is surging ahead of spending.

It can be explained, in part at least, by the blanket order to the effect that no department could spend more than 70 per cent of allocations without referring back to the Finance Ministry. In terms of fiscal and monetary terms, the device has proved a bludgeon. This application has been made even more ham-fisted by the differing interpretations of the guidelines by different ministries. The Royal Commission for Jubail and Yanbu, meanwhile, does not have to seek approval for its mounting expenditure on the infrastructure of the two industrial complexes on which the Kingdom's future diversification will be based.

Reaction

Leaving aside the importance of getting value for money, the Saudi reaction to a liquidity problem that no one else would regard as a crisis might be seen as the Saudi equivalent of a "stop-go" economic policy. With most of the important infrastructure projects included in the second five-year plan under implementation, the virtual moratorium on the award of big contracts and the slowing down of the finalisation of others has been beneficial. The economy has about as much development in hand as it can comfortably digest.

Progress and growth have continued along the relatively even plane established from about the middle of 1977 in the wake of the strains, dislocations and roaring inflation of the two previous years. During fiscal 1977-78 the growth of non-oil gross domestic product should be more or les in line, though probably a little lower, than the 18 per cent achieved in 1977-78. Moreover, the evidence is that the Government's sustained fight against inflation is succeeding.

The Government claims that the cost-of-living index fell by 1.6 per cent in 1977-78, compared with a rise of 31.5 per cent in 1975-76 and 11.2 per cent based on an out-dated index and a level of subsistence lower than the expectation of most urban-dwelling Saudis. A much more realistic measurement is the non-oil GDP deflator, which indicated that the rate fell by about one half in 1976-77 from a level of 40 per cent in the previous year. At the time of publication the figure for 1977-78 was not available. The evidence is that it is now running somewhere in the region of 10 per cent.

The housing shortage has been considerably eased as a result of activity on the part of private sector builders (which surprised the Kingdom's planners) and the lending of the Real Estate Fund. In Jeddah there is now a surplus of flats, and rents for some categories of accommodation are reported to be as much as 50 per cent lower than the astronomically high levels of 1975-76.

In line with the general easing of the rate of economic growth to a more measured pace—which would still be the envy of almost any other nation on earth—the Kingdom's imports last year maintained an increase similar to that in 1977. Statistics of the Organisation for Economic Co-operation and Development record exports to Saudi Arabia by the main industrialised countries of $11.8bn in the first threequarters of 1978, up 35 per cent over the same period of 1977. Sheikh Hisham Nazer, Minister of Planning, recently estimated that imports were running at an annual rate of $17bn—the equivalent of those of Brazil.

Changes

Recently published figures about the volume of goods unloaded at the main ports give some indication of changes in the pattern of the market as well as tending to bear out Saudi complaints about the continuing high rate of imported inflation from the West. In terms of tonnage the rate of increase fell from 67 per cent in 1977 to 27 per cent in 1978. The number of motor vehicles was actually down marginally.

The decline was more dramatic for construction materials. The rise was only 18 per cent last year compared with one of 98 per cent in 1977. That could be seen as reflecting the slowdown in the award of public sector contracts and the halt to speculative building in Jeddah. By contrast, imports of equipment were up by no less than 200 per cent and foodstuffs by 57 per cent.

In the next fiscal year running up to the implementation of the Third Five-Year Plan the Government can be expected to keep expenditure below the rate that the higher oil prices and the tight supply situation in prospect would make possible. Allowing for the 60-day lag in payments, the Government began to benefit in March from the 5 per cent oil price increase imposed in the first quarter and the average level of production during it of 9.5m barrels a day from the main fields.

Pressures of demand should ensure that liftings are maintained up to the reimposed ceiling of 8.5m b/d, especially if the Kingdom sticks to a basic price lower than other OPEC members are setting. Either way, however, oil revenue in 1979 will approach $50bn. Saudi Arabia is still very much a surplus state.

Wealth

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Feisal, who tried to keep the priesthood at arm's length.

It is as if the regime, faced by inevitable social strains resulting from rapid development and by foreign ways of expatriate manpower, has retreated defensively behind the barriers of social traditionalism and religious fundamentalism. At the same time Government has sensibly slowed down the pace of economic growth to ease tensions.

For many young educated Saudis the religiosity shown is to some degree irksome. So, too, are the privileges enjoyed by the proliferating Royal Family. Notwithstanding the opportunities open to everyone, it enjoys a disproportionate amount of the Kingdom's wealth.

Avoided

The Monarchy, however, has avoided the crass errors and misjudgment made by the Shah. In most respects comparison is invidious. Saudi society is very different from Iran's. It is relatively homogenous and the overwhelming majority of its population are Sunni Moslems who have more ingrained respect for authority. Not the least there are no political prisoners in the Kingdom. Even so events across the water have prompted some talk of increasing participation in the governmental process in some way by expanding the long defunct 24-member consultative council. There is no apparent pressure for a change of the system as such.

Nevertheless, Saudi Arabia's rulers are faced with many problems in reconciling rapid economic development and desire for social change with traditional values, the maintenance of which is seen as essential for preserving the established order. Their task is made all the harder by the conflicting international pressures that the Kingdom cannot avoid.

Change of emphasis

DEVELOPMENT

RICHARD JOHNS

LAST MONTH the Saudi Arabian Ministry of Planning finalised the draft of a development programme covering the 1980-85 period. The proposals are a tightly guarded secret. They will be—or perhaps have already been—submitted to the Council of Ministers where an intensive inter-departmental struggle for appropriations can be assumed. Strenuous efforts to win the support of Crown Prince Fahd, First Deputy Premier and the "father" of the second five-year plan, can also be expected. The final outcome, both the total figure of projected expenditure and the sectoral allocations, is unlikely to be published or even leaked until the summer of 1980 when the implementation of the Kingdom's third five-year plan will begin.

At this stage, however, the main change of emphasis is known. Having laid the basis of an adequate infrastructure, the Government's main aim will be—to quote Sheikh Hisham Nazer, Minister of Planning—the diversification of the "Kingdom's economic base by directing the major part of capital and manpower to the productive sectors such as industry, agriculture, and mining." More scope and incentive will be given to the private sector. Manpower development will be a high priority and a more coherent attempt is to be made to adapt the educational system to match the direction of development laid down in the planning strategy. The Government will endeavour to control its rate of expenditure so that inflation can be reduced to the minimum compatible with what are considered essential planning targets. Last but not least it has resolved not to let the size of the expatriate community increase.

Current

Since it launched its current plan, which was aimed at consuming all its revenues, Saudi Arabia has accumulated considerable foreign assets of some $40bn in addition to those that it held before. Yet to a large degree the Kingdom has confounded those sceptics who questioned its ability to spend the sum of nearly SR500bn (the equivalent of $142bn in 1975). While revenues have been nominally higher than was cautiously anticipated, the Government will probably have disbursed almost SR450bn in the first four years of the plan ending in June.

No one, least of all in the Saudi Government, would pretend that fulfilment of expenditure targets alone is a measure of performance. A significant proportion of spending has been accounted for by inflation, that has run at levels far higher than the 16 per cent built into the original plan projections. Nevertheless, Saudi Arabia has shown a much greater capacity to absorb revenue than most observers believed possible. "It is anticipated that actual expenditure, for a variety of reasons, will fall short of appropriations, said the preamble to the plan. In the event, there was a budget deficit in the third year of implementation, 1977-78, and outlays may have exceeded revenues in fiscal 1978-79.

The First Five-year Development Plan amounted to little more than a list of projects. The Second Five-Year Plan is said to have undergone too hurried revision after the fiscal implications of the oil price explosion of 1973-74 became clear. It was very much less than a co-ordinated development programme. In practice, planning in Saudi Arabia is a "governmental process," as one adviser to the ministry describes it, reflecting all the princely and departmental rivalry that phrase implies rather than a coherent striving to follow a blueprint. Inevitably, the experience has been one of trial-and-error. By the end of the first year of implementation intolerable strains and inflation led to a "rescheduling of priorities," though none of the goals spelt out in the document was ever abandoned.

Having not taken into full account the dearth of manpower, the physical constraints and administrative inefficiency the Government can take credit for its flexibility in overcoming problems as they have arisen in what has been a very formative experience. The most effective and dramatic action was the decongesting of the port under the draconian powers given to the specially created Saudi Ports Authority. Saudi, the national airline, also performed well in coping with ever-escalating demand intensified by fare cuts ordered by the state.

To tackle the labour shortage the Government adopted novel expedients in its wholesale import of Asian labour under contract and its insistence that foreign contractors should hire their own boat-loads as well as accommodate them, while reserving the Yemenis for the smaller jobs carried out for the most part by local companies, although I was never successful.

In one sense the inadequacies of a bureaucracy in which all responsibility rests on a few over-worked and able men at the top may have been a blessing. If contracts had been awarded as fast as was originally envisaged the economy would have been even more badly strained in the early stages. Quantitatively speaking there have been some successes: for instance, the target of more or less doubling the educational system should be more or less fulfilled. But in one area of great social importance, the public housing programme, there has been a notable failure.

Stimulated by the enormous profits made possible by the shortage, the private sector has gone a long way to compensate for the slowness of the state projects to get off the ground. Moreover, although its operations were halted last year for a while by the discovery of malpractices, the Real Estate Fund had by the end of 1978 financed no less than 136,000 units of accommodation. But Sheikh Hisham Nazer acknowledges that by the end of the planned period the number of homes built would be 68,000 fewer than the number aimed at. Saudi businessmen also showed alacrity in investing in industrial plant to produce building materials, construction components and even prefabricated units in response to the shortages—originally compounded by port congestion—that sent their prices soaring.

Saudi Arabia's Gross Domestic Product increased in real terms by 8.4 per cent in 1975-76, 15.7 per cent in 1976-77 and 7.0 per cent in 1977-78 to reach SR 222bn (the equivalent of $64bn at the current exchange rate) at the middle of last year. The total GDP figure is somewhat notional in the sense that almost three-quarters of it is accounted for by the petroleum sector. Variations in price and production levels explained the variations in GDP growth over the three years.

Non-oil GDP registered gains of 20 per cent in 1975-76, 16 per cent in 1976-77 and 18 per cent in 1977-78. The annual average projected for the second five-year plan period was 13 per cent. During the first year of the plan the private sector lagged slightly behind at 16 per cent, in the second year it edged ahead at 18 per cent and in the third fell back to 13 per cent. According to Dr. Deisal Bashir, Deputy Minister of Planning, the increase for non-oil GDP as a whole during the current fiscal year which ends in June should be of the same order as 1977-78. Despite the prospect of financial restraint in the 12-month run-up to the beginning of the third five-year plan a similar growth should be recorded.

Notwithstanding delays, plan targets will be exceeded and the non-petroleum economy nearly doubled in size. With the exception of the big industrial ventures that the public sector plans to carry out in partnership with foreign partners, the majority of projects envisaged in the Second Five-Year Plan are under implementation but many will run into the third plan period. Looking ahead, Sheikh Hisham Nazer says: "To a very large extent, spending on infrastructure which is currently under construction, together with recurrent expenditure on other items, will provide a spending floor already committed for the next few years."

As far as the productive sectors are concerned, the state's main concentration will be on developing heavy, hydrocarbon-based industry to maximise the added value from the country's major but wasting resource. Essential to this ambition is the programme for exploiting the gas associated with oil production that was embarked upon in 1975 and is now well advanced, but which was beyond the purview of the second plan, although it proved to be one of the biggest items of expenditure.

Reduced

Originally estimated to cost $4bn, the project—reduced in scale from the one originally envisaged—may consume as much as $25bn or more by the time that it is completed by around 1985. Even at that price it needs no justification: an irreplaceable asset is being burnt. The coming energy crisis and associated rise in the price of fuel means that the investment must be justified in the long term and a profitable market for liquid petroleum gases will be found, even if there is over-capacity in the next decade.

The use of the fuel and feedstock derived from the gas for heavy industrialisation in Saudi Arabia has prompted a debate of almost international proportions about the feasibility of the various projects, comparative advantage and costs. But possession of a quarter or more of the world's known oil reserves and the world's biggest production capacity should mean that the Kingdom will eventually not only bring about a considerable transfer of technology but also enforce the sale of industrial products by making supplies conditional on their purchase.

Access to long-term supplies of oil are being offered to induce the prospective foreign partners to join forces in projects that will increase existing world over-capacity in the refining, petrochemicals and metals industries. So far only one agreement on a steel mill has been concluded, and there are some signs of Saudi impatience that others have not been finalised. But the delay seems to have been caused in part, at least, by the Government's indecision over how much oil it can make available in return for technology and marketing of produce.

The Government foresees the private sector investing in a considerable number of ancillary manufacturing plants stemming from these big projects. Sheikh Hisham Nazer says that underestimating its contribution, the construction of homes and the start-up of new industries was one of the biggest mistakes of the present plan. In the next a reduction of state activity in areas where the private sector has shown vigour over the past four years, especially housing, is foreseen and a much greater share for it in overall capital formulation. The Ministry of Planning is setting up joint committees with representatives from the private sector covering different aspects of the economy and is establishing links with various chambers of commerce.

As it is, Government policy is directed at ensuring that Saudi business benefits as much as possible from the state expenditure programme. That is good political sense even if it is sometimes in contradiction with the fight against inflation. For instance, there was the directive instructing foreign contractors to purchase food supplies from local merchants and not to import them directly. Tariff duties of up to 20 per cent are imposed on new industries.

A month before an aluminium fabrication plant started operations earlier this year, with the assistance of finance from the Saudi Industrial Development Fund, a duty of 20 per cent was placed on competitive imported products. In the multi-billion dollar build-up of the infrastructure for the industrial complexes the Royal Commission for Jubail and Yanbu gives preference to companies not only according to the Saudi proportion of their capital but also the content of locally produced goods and materials proposed in bids.

Saudi merchants' inclination to invest in manufacturing has been remarkable. At present there are no fewer than 800 projects in operation or under implementation with a paid-up capital estimated at the equivalent of $2bn. By 1980 the official forecast is that there will be 1,300 such enterprises. A great deal—probably the majority—of production is accounted for by industry related to relatively simple construction, the voracious demands of which will sooner or later subside. The SIDF, which has financed a large part of the expansion in capacity, believes that in two or three years' time lending opportunities, as they are defined under its present mandate, will have been more or less exhausted. To continue a useful role authorisation to diversify towards services may be needed. The Government meanwhile is talking in terms of "agri-businesses" supplying 75 per cent of the country's food consumption. That would presuppose a miracle in the agricultural sector, which is lagging progressively further behind.

Squeeze

Saudi Arabia has felt a squeeze on its revenue over the past two years. But growth over the next five years will not be impeded by lack of finance. "How does it feel to be free to develop an economy without any financial constraints?" Shiekh Hisham Nazer once asked himself rhetorically. He replied, "Well, it helps you identify all the other constraints." After embarking upon its second five-year plan it did not take the Kingdom long to learn the limitations imposed by infrastructure bottlenecks, shortage of manpower and administrative deficiencies.

Containment of inflation is one of two "critical elements" affecting the shape of the next plan identified by Sheikh Nazer, who regards as a priority "strategic and financial policies" to keep it to a minimum. Although nothing has been finally decided, the tendency will be to opt in principle, for a rate of expenditure and growth that will not create socially disruptive pressures of demand.

Nevertheless, reconciling control of prices and the expenditure required to build up the productive sectors will not be easy to achieve. The gas gathering programme managed by the Arabian American Oil Company has been kept relatively insulated from the economy in general—even to the point that, as operator of the project it built its own jetties to offload the

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Big spending continues

DEFENCE

RICHARD JOHNS

IT IS a reflection of Saudi Arabia's vulnerability, lack of preparedness and ample financial resources, rather than any vain glory, that it now ranks seventh in the world in terms of military expenditure, led by the Soviet Union, the U.S., China, West Germany, France and Britain. For fiscal 1978-79 its appropriations for defence at SR 33.3bn (nearly $10bn) were only marginally less than those of Iran, which is drastically slashing back its commitments on this front.

Defence alone accounts for 25 per cent of the budget, quite apart from the allocations for the National Guard and the Ministry of the Interior, which make projected spending on security no less than SR 45.56bn ($13.56bn). In terms of hardware its purchasing programme could be seen as a modest one, limited by lack of absorptive capacity and trained manpower. The enormity of the sums set aside, which would make Saudi Arabia by far the highest spender on a per capita basis, are explained largely by infrastructure—including what amounts to vast urban development projects—for which little expense is being spared.

With a land mass two-thirds the size of India, Saudi Arabia, despite a rapid build-up over the past five years, has pathetically little defensive capacity and virtually none to protect vital oil supply routes. This bleak fact was high-lighted rather than obscured by the campaign waged in the U.S. Congress a year to baulk the sale to the Kingdom of F-15 fighters. In the short-term the passage of the deal was of more political than military importance, regarded by Saudi Arabia as a "test of friendship."

Applauding a positive development of significance, Mr. Mohammed Abdo Yamani, Minister of Information, declared realistically: "There is no doubt that the 60 F-15 fighter aircraft will not meet the defence needs of the Kingdom. They are too few when one considers the geographical spread of the Kingdom which requires several air defence networks."

Israel's contention that the sale of the U.S. Air Force's top "superiority" fighter would constitute a threat to it did not seem plausible a year ago, nor does it now. For the foreseeable future Saudi Arabia's military posture can only be a defensive one. The F-15s, a quarter of which will be trainers, are not equipped with the electronics needed for a ground-attack or bombing role.

Also included in the $2.5bn deal are 400 Maverick air-to-surface missiles, 2,000 air-to-air missiles and six batteries of Hawk surface-to-air missiles to complement the 10 of an older model in the system installed and serviced by Raytheon. The Kingdom's system of SAMs, which is handled by the Army, also includes the French-manufactured Sahine, an adaptation of the Crotale.

Military experts say that, together with the surface-to-air missiles on order, they could give cover only to the Medina-Jeddah-Mecca triangle, the capital Riyadh and the oil fields of the Eastern Province. The Saudis gave no assurance that they would not be based at Tabuk, a few minutes flying time from Israel, but they have indicated the intention of locating the F-15s at Taif, Dahran and Khamis Mushayt. They are at present the only bases in the country with the infrastructure and logistics to handle the aircraft.

It may take a couple of decades for the Royal Saudi Air Force to absorb properly the F-15s on order. It has already been fully extended coping with the most recent generation of aircraft in service, the Northrop F-5 fighter-bomber, which is a relatively simple machine. Delivery of the F-15s will probably involve the addition of 500-600 contract personnel in addition to the several thousand Americans at present involved in training. A Pentagon report has estimated that U.S. assistance with the F-15 programme would be required until as late as 1993. Last week a contract was finalised for the provision by Litton Industries of a $1.5bn computerised system for co-ordinating missile sites.

The ageing British Lightning interceptors will probably be required as front-line aircraft up to 1983. Under the Government-to-Government deal renewed in 1977, which should eventually be worth at least £500m, the UK is still heavily involved in the development of the Royal Saudi Air Force through the British Aerospace Corporation.

Supervised by a team from the Ministry of Defence, it has no less than 2,000 employees, engaged mainly in maintenance, technical back-up flying instruction at the King Feisal Military Academy, English tuition, civil engineering consultancy and the provision of medical services.

Elite

The RSAF remains the elite of the Kingdom's regular armed services. In the 1960s, at the time of the Yemen civil war when the country was impotently exposed to Egyptian raids on border towns, priority was given to its build-up. Lightnings and Sabres of the RSAF made possible the eviction after 10 days of the South Yemeni forces which captured the border post of El Wadich towards the end of 1969. It was a morale-boosting and reassuring action, coming only six months after the discovery of a conspiracy involving several dozen officers from both the RSAF and the Army.

The Royal Saudi Navy is the Cinderella, with little more than 2,000 sailors manning three fast patrol boats, one old U.S. coastguard cutter and four minesweepers. But it is now receiving more attention and was reported last year to have on order six corvettes equipped with sea-to-sea missiles, four fast patrol boats carrying guided missiles, and four other gunboats. Under supervision of the U.S. Corps of Engineers, two naval bases at Jeddah and Jubail are being constructed, together with another smaller facility at Ras al Mishab. Further expansion of the Frontier Force and Coast Guard, which has at its command eight British-built hovercraft, is also planned.

Appreciating the revolutionary potential of regular forces, the Royal House showed a hesistancy about building them up until the Yemen war and placed reliance instead on the tribal levies of the National Guard. However, the past decade has seen the Army considerably expanded to a strength of some 50,000 men, including two armoured brigades, four infantry brigades, two parachute battalions and also the red-bereted Royal Guard battalion. The U.S. Military Training Mission established in 1951 has played the major role in its development. Predominantly U.S.-supplied, it is taking delivery of M-60 tanks, Dragon anti-tank guided missiles, and Vulcan self-propelled guns. It also has, however, British Fox and Ferret scout cars and French tanks and armoured vehicles. Co-ordination with the Air Force is still said to be poor.

The services are competing for scarce manpower, which may account for talk at the highest level about the introduction of conscription. High salaries are offered. A newly joined recruit receives the equivalent of about £3,700, a 2nd lieutenant £11,000, a major-general £27,000 tax free. Retirement is on full pay, allowances are lavish and fringe benefits handsome. Nevertheless, the Government has to rely on a sense of vocation and job satisfaction that may not be sufficient to attract enough of the best Saudis for the creation of a sophisticated military machine, especially a self-sufficient one. Prince Sultan, Minister of Defence and Civil Aviation, has been known to refuse to allow officers to resign, even threatening his relatives, who are the flower of the Air Force, with gaol if they do so. Recruitment does not, at least, seem to be a problem with the National Guard.

Under the command of the Prince Abdullah bin Abdel-Aziz, the third man in the hierarchy and the rival of Prince Sultan, the National Guard—known also as the "White Guard"—is still preserved as a strictly separate entity, entrusted primarily with the task of upholding the established order and maintaining internal security. But it would in emergency also be called on to defend the country's borders. It now has 20,000 men regularly on active duty, recruited from the leading and most loyal tribes of the Nejd. This very traditional force can be doubled in number at short notice by armed irregulars who have undergone training. The ready provision of these fighting beduin is assured by subventions to the tribes, which also have the effect of strengthening their allegiance to the Throne and distributing national income.

For three decades the National Guard received advice on training and operations from the small British military mission. It still continues, but in 1975 the Royal House, having seemingly favoured the Army at the expense of the National Guard, awarded a $77m contract to the Vynel Corporation for the modernisation of the force. Under the supervision of the U.S. military mission, about 1,000 Americans, many of them Vietnam veterans, as well as Jordanians and Pakistanis, have been carrying out a programme that has involved extensive re-equipment. Among the acquisitions made have been armoured personnel carriers and Vulcan guns. Last year, Cable and Wireless was awarded the contract worth SR 1.13bn. for the design, implementation, installation, operation and maintenance of a comprehensive telecommunications system for the National Guard, detachments of which are still posted near every major conurbation.

A total value of $6bn has been put on the work involved in the construction of the King Khaled Military City at Hafr al Batin, guarding the north-east approaches to the country, which is designed eventually to accommodate no less than 60,000-70,000 people. On a smaller but still colossal scale are similar developments at Tabuk and Khamis Mushayt. Altogether the potential value of work that the U.S. Corps of Engineers has been asked to supervise, design or plan is put at some $25bn, most of it in the field of industrial infrastructure.

Emphasis

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millions of tons of equipment needed. In contrast it is deliberately intended that the infrastructure for the Jubail and Yanbu industrial complexes should involve the business community to the maximum.

Expenditure at Jubail, where a population of 370,000 is projected for the year 2000, will be $2bn annually at current prices, according to one informed source. Yanbu will be about one third of the scale. The importance attached to them is such that the Royal Commission has an autonomous status and does not even need the authority of the Ministry of Finance to obtain appropriations.

The other critical element singled out by the Minister of Planning is "the development of specific social programmes to direct people towards training and employment opportunities where they are needed." Saudi manpower, such as it is, is not poised to undertake the functional roles required if development ambitions are to be fulfilled. Worse, Saudis are not disposed or suited to most of the types of work involved. For instance, no more than 20 per cent. of the 3,000 nationals who graduated from engineering schools last year intended to exercise the professional qualifications required, preferring instead what they would regard as more dignified careers in business and administration.

Saudis with higher education want to step into a desk-bound job and if possible executive chair immediately. Those at the other end of the educational scale would prefer to drive taxis or be tea boys rather than operate or maintain a machine. Only those who have not joined the rural exodus and are still tilling the soil are prepared to besmirch their hands. In a word, Saudi Arabia does not have the sociological base for an industrial revolution.

The aim is that 80 per cent of the workforce at Jubail and Yanbu will be Saudi nationals. If all the projects come to fruition, it is unlikely that they will make up more than 20 per cent of it. Apart from the question of aptitude and inclination there are insufficient Saudis, anyway, to fulfil development aspirations without increasing dependence on expatriates. Dr. Bashir confirms, without revealing anything else, that one of the fundamentals of the next plan will be to prevent any increase in the number of foreigners. This can be achieved, he says, by changing the "mix" — from unskilled to skilled manpower.

It can be assumed that there will be a reduction in the number of foreigners when a basic modern infrastructure is finally in place — though it would have to be maintained and improved. But in the long run its seems doubtful whether Saudis will remain the majority of the workforce, if one excludes the nomads, who still make up as many as 500,000 out of a native population that may be as little as 3.5m and is no greater than 5m despite official implications suggesting 7m-8m.

In the meantime, seized with a mixture of apprehension and xenophobia, the authorities are deporting illegal immigrants wholesale, with the result that badly needed casual labour is in short supply and wage rates have risen accordingly. Saudi Arabia's policies abound in confusion and contradictions at present. It will be interesting to see how the Kingdom's planners propose solving them.

Spreading the load

POLITICS

NED LEITHEN

EARLIER THIS year, at the height of the Iranian chaos, the Jeddah newspaper Okaz proposed the refurbishing of a consultative council to assist the Saudi Royal Family in the growin press and complexity of public business. The article excited considerable interest abroad and engendered speculation that the Royal Family, depressed by the fatal rift between the Shah's Government and the Iranian middle class, was seeking to offer a greater role for commoners in the framing of Saudi national policy.

The view is exaggerated. The same proposal was made in 1975, and yet *there has been no* development. The council, the Majless al-Shoura, still exists but has not convened formally this decade. Created from Mecca notables after the conquest of *the Hijaz by Abdul Aziz* ibn Saud in the mid-1920s, it served little institutional function there and was superseded 25 years ago by a far more important source of commoner advice, *the Council of Ministers* (Majless Al-Wuzara). As Okaz pointed out, the Majless al-Shoura's members are now so venerable and so many have died that it could have little *role in its present form.*

But the proposal was interesting in two ways. First, because it shows that there is a general feeling that more Saudis should be brought into the government—particularly from the sophisticated business community of the Hijaz—while, second, showing the present limits to the sentiment.

It is not that democratic institutions are ruled out of court but the Royal Family is proceeding with its habitual caution. This has been confirmed by the universal fiasco of democratic experiments in the Arab world and, recently, in Iran.

King Abdul-Aziz saw Saudi Arabia as the fief of his family and the oil wealth as its perquisite. Nevertheless, he issued largesse, dug wells for the bedu and attempted rather piecemeal public works out of generosity—the great Nejdi virtue— and because, even in Saudi Arabia, the ruler rules by the will of the people. His successors continued the process, King Saud the largesse and King Faisal the public works, and the apparatus of a modern state has grown up with Western-style ministries sitting side by side with Nejdi councils.

Saudis have not responded to the satisfaction of many in the Government. With actual decision-making still extremely limited, there is some difficulty in recruiting able commoners for the Government against the siren call of the private sector. There is a certain amount of drafting, notably of young men educated abroad at state expense, while self-enrichment and competing ties to business act as a considerable drag to efficiency by those who do join.

There are other dangers, pointed out by the Planning Minister, Sheikh Hisham Nazer at a speech in Abu Dhabi at the end of January. There is a belief in some (Saudi) circles that the Kingdom's wealth means that each individual is entitled without contributing to the nation's development, to a large number and variety of free benefits.

Sheikh Hisham gave no *proposals—even as an able and* beloved minister, it was not his place—but in any solution, greater loyalty to the state or interest in its Government would presumably have to be *balanced* by a greater say in the management of its affairs.

In the words of foreign Minister, PrinceSaudi atFeisal, "we have our studies and plans to develop political institutions. *They are ready for implementation* as soon as circumstances permit."

Respect

Whatever these plans are, they would have to accommodate the Royal Family, which is the core of the present political system. What defines a Saudi is his respect for the strict Wahhabite variety of Islam and for a unified state ruled by the House of Saud. The state is based on the alliance forged in the 18th century between the *Royal Family and the religious* reformer Sheikh Mohammed Abdul Wahhab.

The family's 4,000-odd members dominate social and business life but less than a twentieth of the family exercises any direct political influence. This inner core has shown itself capable of remarkable cohesion, most notably at the assassination of King Faisal in 1975, permitting a smooth transition of power to the present triumvirate.

Saudis are fond of arguing that in the present unprecedented arrangement, King Khaled provides a vital synthesis between the strains of independence and conservatism presented by the Deputy Prime Ministers, Crown Prince *Fahd*, and Prince Abdullah. Publicly the appearance of consensus never wavers. The King is in poor health, and had a second round of cordhorary bypass surgery in Cleveland last year. He also lacks any real interest in the international role Saudi Arabia has assumed. But he will chair the Council of Ministers during the Crown Prince's *frequent absences and* at the budget session.

That the Crown Prince is the dynamic and dominating element in this partnership—he sees all legislation before it is ratified by the King—is neither surprising nor in any way disturbing to Saudis, who tend to respect the value of royal consensus.

In the Royal Family, weight in this consensus is accorded vertically through age and experience and horizontally through proximity to the direct issue of King Abdul Aziz, who had more than 40 sons, and is the source of all political grace.

Institutionally, members of the Royal Family occupy eight Ministerial positions and all local governorships. Parallel to the State bureaucracy, they operate a system of patronage, and because of this and because of their enormous extent, they represent a wide body of *opinion.*

At the same time, tradition has ascribed certain characteristics and areas of interest to the collateral branches and to certain inner families. The Sudairi branch, a great provider of governors, has responsibilities of patronage outside the large centres. The Thunayans are traditionally courtiers at the Royal Diwan. The al-Sheiks descendants of the male heirs of Sheikh Mohammad Abdul Wahhab, are considered well-informed in matters of *religious sentiment. Members* hold the portfolios of justice and higher education.

Nearer the centre of power, there are three broad divisions of intent and opinion which nevertheless stay well short of faction. The least important of these are the Bani Feisal, the sons of King Feisal, who represent a tradition of pro-western (and particularly U.S.) foreign policy. *Members* hold the important but heavily circumscribed post of Foreign Minister (Saud), the parallel but less formal control of the General Directorate of Intel*ligence and the Foreign Liaison* Bureau (Turki) and the governorship of Asir (Khaled).

The second is that of the "Sudairi Seven," the full brothers of the Crown Prince who *head* the *ministries of* defence, the interior and the governorship of Riyadh.

The third is the more traditional group headed by Prince Abdullah and associated with the beduin through his command of the National Guard. It can rely on the sympathy of the King and his elder brother Muhammad, whose great influence rests rather in his position as eldest surviving son rather than in any following.

Prince Mohammed's influence would be restricted to the private affairs of the Royal *Family—although private as* defined by the secretive Al-Saud covers a very large area. Beneath the King, the Crown Prince acts as ultimate arbiter of day-to-day government, and under him the position of Crown Prince has gained enormously in importance. At a slightly lower level, the position of Second Deputy Prime Minister was created for Prince Abdullah, partly to recognise his great influence in bedu affairs after 15 years with the National Guard and partly to offset the parallel power, and consequent risk, at Prince Sultan's Defence Ministry. The second deputy premiership is not automatic, though it will be necessary, because of the increasing concentration of age, to have a member already trained in Government affairs to take over the role of Crown Prince.

Much has been said about the possibility of differences between Abdullah and Sultan over the succession to the secondary positions. Prince *Abdullah is said by some to* have made clear that he would not accept the post of Crown Prince. At the same time, although accounts of birth dates give Sultan younger than the Governor of Medina Prince Abdul Mohsen and a former Defence Minister, Prince Mishaal, there would be no question of legalism advancing these shadowy figures over an experienced and powerful minister like Sultan.

No other senior member can draw on such loyalty. Prince Naif's security forces at the Interior Ministry are divided into a number of quite separate services.

Evidence

In the Royal Family there is clear evidence of an attempt to prevent any excessive preponderance of any one figure or group at the superficial level by, say, balancing armed forces and national guard and by limiting opportunities for younger members of a group. For example, only one of the Crown Prince's sons holds ministerial rank. Two others are having a devastating impact on the business community. Conversely, the removal of the royal adviser, Sheikh Kamal Adham, who definitely considered himself one of the Faisal group as the *old King's brother-in-law*, may open the way for the addition of another of the late King's sons to the Government.

Traditionally, the senior members have relied on expert advice either from such individuals as Adham, who played a crucial role in early relations with President Sadat, or from loose groupings of experts in the Supreme Petroleum Council or of the Ulema in the Supreme Council of the Judicature. The role of advisers may vary, but one man, Dr. Rashad Pharaon, has lived under four reigns and now constitutes little short of the family's political memory. Of Syrian extraction, he started as personal doctor to King Abdul Aziz, but soon became valued for his advice and continues to be present at most of King Khaled's *major meetings.*

The supreme councils mostly predate and are independent of the Council of Ministers, which is the highest formal and regular consultative body. The councils report directly to the deputy prime ministers. For example, the petroleum body is designed to tie in all the major policy elements relating to oil and has as members the Ministers of oil, finance, planning, foreign affairs and the Governor of the Saudi Arabian Monetary Agency. But in fact it needs only the Crown Prince and one other to form a quorum; for instance consultations with Sheikh Ahmad Zaki Yamani at Geneva airport during an OPEC meeting amount to a full session.

The Council of Ministers represents the formal access of the bureaucracy to the rulers and is the chief instrument for the formulation and the execution of policy. While the Royal Family occupies the most important portfolios, the expansion of the Cabinet into technical areas for development — most recently with the creation of six new ministries in 1975—has brought *in a number of able commoners* into the executive, if not into decision making.

These ministers, many of spectacular ability and international repute, are largely drawn from families that were influential long before the oil boom. Certain family names—Alireza, Al-Gosaibi—recur in the upper levels in Government and business. Though they have considerably more freedom of action than is often credited them they are also ultimately dependent on favour.

For example, the Finance Minister, Sheikh Mohammed Aba Al-Khail, has been carrying out a campaign to cut waste in Government spending and, implicitly, to curb profiteering. Because the Crown Prince has made his support for the project known even the Defence Ministry and the National

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Policy under review

AID

JAMES BUXTON

SAUDI ARABIA remains the Arab world's biggest aid giver. According to Sheikh Mohammed Aba al-Khail, the Finance Minister, it disbursed no less than $1.055bn during 1977, out of the Arab oil producers' total of $2.645bn.

Yet the most striking fact about this figure—covering the last year for which full statistics are available—is that it is less than a third of the generally accepted disbursement figures for the two previous years, 1975 and 1976. Sheikh Aba al-Khail's announcement suggests that Saudi Arabia is trimming the scale of its aid disbursements. The Kingdom is also known to be conducting a broad assessment of the effectiveness of its aid programme and an examination of policy options for the future.

According to UNCTAD and DAC statistics, Saudi disbursements rose from $340m in 1973 to $2.37bn in 1974, $3.87bn in 1975 and $3.6bn in 1976. These figures, making up about three quarters of the total commitments entered into over the period, cover direct programme aid handed out by the Finance Ministry, contributions to the capital of Arab and other multilateral organisations and project aid disbursed by the Saudi Fund for Development (SFD).

The SFD's commitments and disbursements have mounted steadily since it was formed in 1974, and in February last year the value of aid agreements signed totalled SR 5.8bn $1.7bn) while disbursements were about SR 1bn ($294m). Since then there have been further substantial commitments and disbursements.

But the capitalisation of new multilateral aid institutions in the wake of the 1973-74 oil price rise has died down for the moment, so that there is much less call on Saudi Arabia's resources under this heading. Most significantly, Saudi Arabia appears to have sharply cut back its programme aid—for budgetary and balance of payments support—handed out by the Finance Ministry.

This no doubt reflects in part Saudi Arabia's desire to restrain its overall expenditure, but it also seems to be a sign of questioning just how effective Saudi aid is. There are a variety of motives for Saudi aid. Pure altruism ranks high among them, stemming from the Moslem duty of alms-giving and the desire by the Kingdom to share the good fortune that *oil has given it. But there* are other motives as well: these *include the desire to strengthen* the Arab world economically so *that it can recover some of the* glory it had in the Middle Ages: *and the desire to strengthen* the Islamic world, though not *perhaps to the extent that it* results in the overthrow of *established* monarchies, as *in* Iran.

For Saudi Arabia perhaps the strongest motive of aid is political: to assuage criticism in the developing world of the disparity between average income per head in the Kingdom compared with many other developing countries; to protect a country that has enormous capital assets but is difficult to defend and above all to wield the influence that Saudi Arabia believes is due to it in the Arab world on account both of its wealth and its position as guardian of the *holiest shrines* of Islam. Saudi Arabia has *actively sought through aid to* influence the policies of the *countries in the region.*

An analysis of the direction of Saudi aid — both programme and project—shows that the confrontation states surrounding Israel have been the biggest recipients. But other big Saudi aid recipients include Sudan — just across the Red Sea from the Kingdom, with a friendly Government under President Jaafar Mohammed Nimairi; North Yemen, seen as a buffer against Marxist South Yemen, which in the past has also received Saudi aid; Somalia, which unsuccessfully backed an insurgency against Marxist Ethiopia in 1977-78 and ejected its Soviet military advisers; and Pakistan, where Saudi pleasure at moves towards greater Islamic purity was tempered by anxiety that General Zia would hang Mr. Zulfikar Ali Bhutto. Large sums of money have also been disbursed in non-Arab Africa, and *in Asia,* but the concentration has been on the states surround*ing the Kingdom.*

Yet though Saudi Arabia and the Gulf states effectively saved Egypt from bankruptcy in the years after the 1973 war, they were not able to prevent President Sadat from launching and persisting in a peace initiative which is seen in the Kingdom to be broadly against its interests. Large-scale Saudi assistance to South Yemen did not prevent it from becoming more deeply in*volved with the Soviet Union.* The result of Somalia's conflict *with Ethiopia was to strengthen* the pro-Soviet regime there. *And Saudi Arabia could not* save Mr. Bhutto.

Another reason why Saudi Arabia appears to be trimming its programme aid is that it has become increasingly insistent on the cause of financial orthodoxy, *especially since it is now a member* of the board of the International *Monetary Fund.* Like other Arab states it always had reservations about programme aid because of the ease with which it could be diverted to the wrong objectives. But a further reason of which the Saudis are increasingly conscious is the feeling that programme aid gives countries little incentive to put their balance of payments or their state finances in order. The last straw was the $2bn fund called GODE, the General Organisation for the Development of Egypt. Intended as project aid, the bulk of it was spent in 1977 on payments support: Egypt was consequently seen as a bottomless pit for programme aid, and Saudi payments to Egypt appear to have been sharply curtailed thereafter. Saudi Arabia instead steered Egypt into reaching agreement with the IMF on a stabilisation programme.

Similarly with Sudan, which also has severe payments problems and arrears of debt, Saudi Arabia refused after 1976 to provide programme aid (in that year *it* made a substantial deposit with the Sudanese central bank) even though it kept up project aid contributions and continued state and private commercial investment. Only when Sudan finally reached a one year agreement with the IMF in June 1978 and devalued its currency did Saudi Arabia conclude a $300m soft loan for payments support (two-thirds of it to be spent on oil). But only the first instalment was paid up because the Saudis felt that Sudan was not negotiating seriously enough with the IMF on a further three-year agreement, and because Sudan did not implement all the IMF's original conditions.

Shortages

The result is that, with Sudan still not having reached a new agreement with the IMF, its lack of foreign exchange has become chronic, and there have been serious fuel shortages and other supply problems. These are not just holding up the *development* programme but also threaten the regime of *President Nimairi, which* was seriously endangered by a *similar supply crisis* last summer. It is not clear how far Saudi Arabia's real political aims are being forwarded by this policy, while the question has been asked, both of Saudi Arabia and of the other big aid donors to Sudan: should they not have been prepared to solve the payments problems that inevitably followed the surge of Arab development funds into the country?

Following the *signing* of the Egypt-Israel peace treaty, the Arab economic and *foreign* ministers agreed at Baghdad to cut off all aid to Egypt. What this appears to mean is that there will be no more programme aid, including payments to Egypt as a confrontation state under the Khartoum and Rabat summit agreements; and no new project aid commitments. But payments under existing project aid commitments will continue. The Baghdad summit last November agreed on the payment of a total of $3.5bn to the remaining confrontation states and the Palestine Liberation Organisation. In this sum are consolidated the Khartoum and Rabat payments.

The trend away from programme aid should lead to a strengthening of the Saudi Fund for Development. The SFD has, in terms of commitments and disbursements, been the most active of the new crop of funds which were set up in the wake of the 1973-74 oil price rise. Its performance is impressive considering the problems which project aid involves—including the slowness with which projects are agreed and the delays in getting them *started on the ground. While* the SFD builds up its staff it *relies heavily on the project* assessment and feasibility *studies of other development* funds.

An analysis of the loan agreements that the SFD signed in 1977, which totalled $920m, shows that rather more than half were with Arab countries. The second biggest group of recipients were in non-Arab Asia, where India and Bangladesh were both big beneficiaries, and non-Arab Africa came next, while the Fund also made a loan *to Brazil. A breakdown of all* the SFD's loans to the end of *1977 showed* that nearly 43 per cent had been committed to *infrastructure* (which, *under* the SFD's definition, includes basic industries). Power generation came next with nearly 19 per cent.

The scale of the SFD's annual operations is, in financial terms, much greater than that of the Kuwait Fund for Arab Economic Development, the doyen of the Arab aid funds. But the KFAED has, because of its 18 years of existence, far greater experience and, partly as a consequence, much more political independence. *It may be a thought* worth pondering in Saudi *Arabia that the political influ*ence and respect that Kuwait commands in the developing world derives to a considerable extent from the political independence of its development fund.

Load

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Guard have seen some trimming.

This funnelling of all legislation of the slightest import through the Crown Prince or Prince Abdullah—a process mirrored in the ministries—is a *major drawback.* It multiplies the delays in making policy as *officials struggle* to compete with a host of petitioners in the *short period allowed* between the time-consuming official occasions of the Arab world.

In the Crown Prince's case, the shortage of time and an obvious lack of physical wellbeing has surely contributed to the stagnation of Saudi policy—particularly in response to moves toward a peace settlement. When events move fast, as in late January when producers and consumers awaited a *clear Saudi response to the con*tinuing shortfall in world oil production, the lag between executive proposal and actual decision can cause endless confusion. At the same time, the Crown Prince's absences from Saudi Arabia tend to remove considerabl energy and imagnation from these two areas.

The Royal Family has shown itself capable of radical divisions, most importantly over whether to replace King Saud, whose generosity and financial incompetence had reduced the treasury at one point to near bankruptcy. Clear *divisions of* wealth are already beginning to compound rifts of age and regional loyalty.

At the same time, the senior Al-Caud members are aware of the intense scrutiny to which the family is subjected abroad and, sensitive to criticism, have moved to head off potential difficulties. The drive against profiteering and the close *scrutiny of large contracts* will affect the princely sponsors of *contractors. To combat the* problems of stagnation of age, inevitable under the present succession, younger princes have been encouraged to seek education abroad and to take Government roles in appropriate areas. There are young princes as Minister of Sport and Deputy Minister of Education.

The problem of regional *neglect became acute under* King Faisal, who never visited the Asir after conquering the area and who allowed the Eastern Province to develop in the fief of the Ibn Jiluwi branch of the Royal Family. In Iran, this became a major issue as resentment *grew* in impoverished and isolated areas at royal neglect. In Saudi Arabia, *this problem is* likely to diminish as communications *are improved to permit a sense* of rural identification with the capital — and communication projects are a priority in Saudi Arabia with television and telephone links being installed at speed at all costs. All the same, the Crown Prince and senior members of the Royal Family regularly undertake triumphal tours through the provinces to *remind the people of their* concern for them.

*The persistence of any politi*cal institution is no measure of its vitality, but the present political system is likely to continue for some time not least because there is only minimal popular pressure for change.

SAUDI ARABIA VIII

Huge investment

GAS

RICHARD JOHNS

FUNDAMENTAL TO Saudi Arabia's plans to reduce its dependence on crude oil exports and diversify its economy is its immense project for harnessing and processing the gas associated with its oil production that is now being flared and wasted. The programme is of awe-inspiring immensity and complexity.

Undoubtedly it will amount to the biggest single development and capital investment ever made anywhere in the world, employing at the peak level of activity just approaching more than 30,000 workers. The needs for housing and maintaining them alone has already led to the placing of contracts worth hundreds of millions of dollars.

Given the availability of finance and the Kingdom's development ambitions it is an outlay that the Government has no choice but to make. As the distinguished petroleum economist J. E. Hartshorn has written, "Flaring gas is a sin in terms of conservation and a waste in terms of economics."

For Saudi Arabia the average availability of gas associated with oil production is just over 500m cubic feet of gas for every million barrels of daily output. At current levels that means a volume of some 3.8bn cubic feet a day (cfd), of which only 18 to 21 per cent is currently being exploited. A proportion of it is used for reinjection to maintain well pressures. The rest is accounted for by existing production of liquid petroleum gases (propane and butane) and natural gasoline, at the Arabian American Oil Company's Ras Tanura refinery which in 1977 totalled 80m barrels, an average of 220,000 barrels a day (b/d).

Figures for 1978 are not yet available but the volume will have been expanded by the commissioning in the autumn of 1977 of the first of three gathering centres included in the master scheme that would have effectively raised capacity by an initial 20 per cent.

The completion of the master programme by 1985 or thereabouts should give Saudi Arabia something like one-third of global capacity for liquid petroleum gases. The full amount of production resulting from it should come on to the market at a time when most forecasters reckon the coming energy crisis will have reached "crunch" point. Certainly there can be little doubt about the demand for the extra availability in the long term and—despite enormous cost escalations—the investment must ultimately be justified as far as revenue is concerned.

In addition, the programme will provide the base for the hydrocarbon-based industries that are to be established over the next few years by the Saudi Arabian Basic Industries Corporation (SABIC) in joint ventures with foreign partners, as well as providing cheap power and desalinated water to satisfy ever-increasing demand.

Second

The Arabian American Oil *Company was instructed by the* Saudi Government to proceed with the design, construction and operation of the gas collection system in 1975 as the Kingdom embarked on the second five-year plan when the eventual cost was estimated at $4.5bn. The intention then was to harness and process some 5.5bn cubic feet of gas daily, the volume that would be generated by oil output of some 12m b/d.

It soon became apparent that the investment required for such a comprehensive scheme would be of the order of $16bn and for financial reasons the project was scaled down with the aim of handling the 3.3m cfd that would be associated with oil production of just over 7m b/d. Such a level would be comfortably in excess of what is required to provide feedstock and power for its industrial projects.

Since then the Government has imposed a ceiling of 8.5m b/d and has made clear that the optimum sustainable rate from its present fields is 9.5m b/d. Thus Saudi Arabia will be utilising a high proportion of gas under the scaled-down programme. But as a result of inflation, with the project now well advanced, it is clear that the final cost will exceed $21bn.

Under Aramco's management of the project—undertaken on a cost-plus basis—Fluor has been entrusted with the design of gas gathering and processing facilities, Ralph M. Parsons with utility plants and sulphur recovery, Bechtel with the gas and liquid trunk lines and Hudson McDermitt with the offshore pipelines and separation facilities.

Under the revised programme associated gas will be gathered and undergo the first stage of fractionation at three main centres where it will be treated for the extraction of sulphur—that will incidentally make the kingdom the world's largest producer of the latter commodity, with a daily production rate of 3,000 tonnes.

The Berri Natural Gas Liquids centre, which was commissioned in October 1977, is fed from the off-shore oil-field of the same name and located near Jubail. It has the capacity to produce 600m cfd and fractionate it into sweet fuel gas—ethane—and 54,000 b/d of liquid petroleum gases are piped to Ras Tanura where facilities completed earlier in 1977 convert it into propane, butane and naphtha for export.

The other two NGL gathering centres under construction are sited at Shedgum and Uthmaniyah, both of them designed to treat the exploited gas from the Ghawar field, the largest in the world. The Shedgum plant, approaching completion, is designed to process 1.5bn cfd. The Uthmanyah plant, with an eventual capacity *for 1.5bn cfd is scheduled to* come on stream in the early 1980s.

The methane from both centres, as well as from Berri, will go as fuel and feedstock for the industrial centres at Jubail as well as for Aramco's own purposes. It is to be transported by the 177-mile gas transmission line from Pthmaniyah to Jubail now under construction. Another is being built to carry the "wet rich" petroleum gas liquids to the fractionation plant at Ju'aymah designed to break them down into some 160m cfd of ethane and 160,000 b/d of propane, butane and natural gasoline. The ethane required as feedstock for the SABIC projects will be pumped through yet another facility onwards to Jubail.

Pumped

The greater part of the liquid petroleum gases, extracted at the two centres above the Ghawar reservoir—300,000 b/d *—is to be pumped to the other* industrial complex at Yanbo on the Red Sea through a 26-30 inch 730-mile pipeline. The SR 350m ($104m) contract to build the facility was awarded by the construction manager Gulf Interstate Engineering last August to the Italian/Argentinian company Tecnit, *which are scheduled to complete* by January 1981.

Running parallel to the trans-peninsula crude oil pipeline it is to supply the ethylene based petrochemical plant planned as a Mobil-Sabic joint venture at the Yanbo industrial complex and provide natural gasoline, propane and butane for export by the shorter shipping route to Western Hemisphere markets from the Red Sea shipping terminal. Construction bids for the fractionation plant at Yanbo are still being evaluated.

By the time that the master plan is completed at some point in the middle of the next decade Saudi Arabia will have more or less doubled the amount of liquid petroleum gases and natural gasoline at its disposal—about three times as much as its main rivals Iran, Algeria and Kuwait—and have added about 10 per cent to world capacity.

Projects questioned

HEAVY INDUSTRY

JOHN TOWNSEND

SAUDI ARABIA'S first definite steps towards establishing its own heavy industry were taken on March 20 when the Saudi Arabian Basic Industries Corporation (SABIC) signed the final joint venture agreement with West Germany's Korf-Stahl AG. A steel plant is being built at Jubail with an annual capacity of 850,000 tons of bars and rods, which will all be sold in Saudi Arabia. The new plant is expected to start operating towards the end of 1982.

The signature of the joint venture agreement with Korf cannot be expected to end the *debate which has been going on* in Saudi Arabia since the first plans for industry were announced. Many Saudis, young men with western education as well as the ultra-conservative elements in the older generation, are questioning the basic premises which lie behind the Kingdom's industrial strategy.

A leading apostle of industrialisation is the Industry and Electricity Minister, Dr. Ghazi al Gosaibi. He has no doubt, in his own words, about "the historical fact that manufacturing industry has been the leading sector in the growth process of most of the developed countries of today." His opponents *reply that most of the developed* countries of today have built their industry logically on an artisan tradition. Japan, for example, industrialised rapidly and had a large body of skilled craftsmen with an instinctive innovative flair in metal working and other crafts. Craftsmanship has always been, and *remains, at the heart of German* industrial success. On the other hand, in the Arabian peninsula (in contrast to northern Arab cities like Damascus), craftsmen, metalworkers and potters are found in the villages and are regarded as second-class citizens by tribesmen who are proud of their own warrior and nomadic traditions.

Legitimate

Dr. Al Boshibi has no time for these arguments. "To debate the merits of an industry is legitimate but to cast doubt on our industrial future as a whole is wicked, and it is the duty of all citizens to refrain from doing so," he said. Sometimes the Minister's defence of his industrial strategy becomes almost shrill: "There are some who are sceptical about our industrial future, but our time, devoted to development and the service of our people, is too precious to waste in a sterile polemic with them."

Industry, be it light or heavy, means more foreigners, from chief executive to technical director, to works manager, to head of research and development, to chief maintenance engineer, to works foreman, to operators, to unskilled labourers; in short, all those positions which cannot be filled by Saudis because of an absolute shortage of people or because of a lack of the necessary skills or because of social objections to the type of work. Dr. Al Gosaibi estimates that heavy industry alone will require some 20,000 expatriates at all levels. Most of these expatriates will have wives and families; some of them will be Arab, some will be Muslims, but a significant proportion will have to be Westerners.

Successful industry is not a question of importing a few expatriates to fill key positions. An integrated management team has to be created; and this means, in turn, family accommodation and schools for expatriate children. Any oil company chief executive or personnel manager knows the difficulties of creating and motivating a management team in Middle East environments.

Those in the Kingdom who are most enthusiastic about industry cite the example of Aramco. This is the model, they say. To which people who know Saudi Arabia mutter the old saying about there being three sets of laws in Saudi Arabia, one for the people, one for the princes and one for Aramco.

In short, there is no easy answer to the questions raised by the debate in Saudi Arabia on the merits of industrialisation. The country has a resource, associated natural gas, which has hitherto been flared and wasted, and ample financial resources.

Developing this argument, a market for steel bars and rods for use in the construction industry exists in Saudi Arabia. The associated natural gas is an ideal raw material for the production of steel in small mills; the natural gas permits the reduction of iron ore without the use of a blast furnace by the direct reduction process. This process means lower capital cost per ton of steel *produced than the conventional* blast furnace, it is less demanding as far as numbers of skilled people are concerned, and, increasingly important in Saudi Arabia, it means minimum environmental pollution. Finally, the example of Qatar, which has been producing steel both efficiently and profitably by the direct reduction process proves at the rate of over 400,000 tons per year since mid-August 1978 shows that the concept is feasible in an Arabian environment.

Korf will have a 20 per cent stake in the Jubail steel mill and, initially at least, will provide most of the management and the technological back-up. Herr Willi Korf is sensitive to the problem of large numbers of Western expatriates working in Saudi Arabia, and his company is training Saudis, other Arabs and Pakistanis in Germany to occupy key positions in the Jubail mill in the future.

SABIC hopes that the joint venture agreement with Korf will prove to be the element which broke the apparent log-jam with other heavy industrial projects. For example, the proposed joint venture between SABIC and the Shell Oil (represented by the Saudi Pecten Petro-chemical Company) for a petro-chemical complex at Jubail, which SABIC hoped would be formed in 1978, is still not finalised. The various economic studies for the venture were completed in September, 1977. The principal product of this complex would be ethylene, and it will also produce styrene, ethylene dichloride, crude industrial ethanol and caustic soda. The principal raw material would be associated gas, separated, collected and piped to Jubail by Aramco.

The petrochemical complex cannot go ahead (quite apart from any negotiating difficulties the partners may have) until the refinery project is finalised. To the outside world, it seems simple that "the Saudis" should be able to work out some sort of deal with "Shell." In fact, while the petrochemical complex is being negotiated between SABIC and Shell Oil (the U.S. arm of Shell), the refinery is a matter for Petromin and Royal Dutch Shell, and a crucial negotiating point between the parties is additional guaranteed supplies of Saudi crude for Royal Dutch Shell, supplies of crude over and above those required for the refinery.

Wisdom

This project is also an element in the debate in the Kingdom about the wisdom of industrialisation. The opponents say that it represents a less satisfactory option and that Saudi Arabia would be better served by selling its natural gas as it is. The scheme's supporters say that the volumes of natural gas available are not large enough to justify their extremely expensive transport to other markets. The opponents of the scheme go on to argue that the complex will come on stream at a time when world production of ethylene (the basic raw material of the petrochemical industry) is exceeding demand by a significant factor.

The enthusiasts for industrialisation reply that the guaranteed offtake by Shell Oil, the joint venture partner, will cover the marketing of Saudi production. The opponents say that the project will never produce an economic return on the capital invested, to which the supporters retort that the cost of the capital investment in Saudi Arabia (in terms of the interest charged on the money invested in the project) is far less than the cost in industrialised countries, and that this gives the Saudi project a competitive edge. *As long as the Government* is prepared to make money available cheaply, and an industrial project does not have to seek capital resources on international capital markets, industry in Saudi Arabia can be considered as a potentially good investment.

All that has been said about the SABIC-Shell project applies to the other major heavy industrial projects. The SABIC-Mobil project is to provide a petrochemical complex on the Red Sea at Yanbu. An interim agreement was signed in August 1976, and the original objectives of the project called for the production of ethylene, low-density polyethylene, ethylene glycol and styrene. The feasibility study for the project was due to be completed in 1978.

A fourth petro-chemical complex was planned for Jubail as a joint venture between SABIC and a Japanese consortium including Mitsubishi, C. Itoh and others. The U.S. chemical company, W. R. Grace, is also involved in this project. The interim agreement was signed in June, 1977, and again a final feasibility report was expected by the end of 1978.

The fact of these four major feasibility reports coming almost at the same time, and being considered against the background of the national debate on the wisdom of industrialising the Kingdom, promises to make the year 1979 a crucial one for SABIC.

SABIC's most recent interim agreement was signed in January, 1979, with the Taiwan Fertiliser Company and presaged a joint venture chemical fertiliser complex at Jubail capable of producing 500,000 tons of urea per year.

At this stage, it is impossible to forecast the outcome of the Saudi debate on industry. Some projects have gone so far ahead that they are unlikely to be stopped. In any case, the steel project, having no international or regional marketing problems, would seem to make great sense, even to the most ardent opponent of heavy industry. It would be surprising, however, if all the proposed petro-chemical projects were to go ahead as originally intended.

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Strategy still being reviewed

OIL

RICHARD JOHNS

THE CRITICAL importance of Saudi Arabia as an oil producer is a fact of life that the world has become more acutely aware of each year since the producers first really started asserting their power in 1970-71. But never until now has the attention of consumers and the industry focussed with such concern on the Kingdom.

At a time when demand suddenly has come into balance with supply and the prospect of endemic shortage been brought much closer, there is great uncertainty about future Saudi oil policy. Strategy is still under review on the all-important question of the volumes that the Kingdom will export in coming years.

Many factors in the equation are still being weighed and they certainly will be subject to revision according to changing political and economic circumstances, as well as the Kingdom's own fiscal requirements. However, many comfortable assumptions about the availability of oil from Saudi Arabia in the immediate and longer-term future have been undermined.

Dependence on the Kingdom for supplies of the fast-depleting oil resources is unavoidable whatever alternative sources of energy are developed. Saudi Arabia possesses at least a quarter of the world's reserves, according to present calculations—which may be regarded as somewhat arbitrary and may only approximate to the truth but tend to minimise the Kingdom's pivotal position.

At the end of 1977 the Saudi Government put exploitable reserves in the country's main fields at 153bn barrels. This contrasted with figures published by Aramco of 110bn barrels of "proved reserves" and 177bn barrels of "probable reserves.")

Both calculations are probably cautious under-estimates. In 1973 Aramco is known to have stated (in an internal memorandum subsequently published) that ultimate extraction could be as much as "245bn barrels based on the method that is customarily accepted for determining these figures."

At the very least, it seems, Saudi Arabia can contemplate producing at levels achieved in recent years without endangering the life of its fields and their optimum recovery. If, for argument's sake, one takes Aramco's figure of 177bn barrels as correct, then output at last year's average rate of 7.5m barrels a day could continue for another 65 years or so. In addition, it has 50 per cent of the yield from the Neutral Zone shared with Kuwait.

Onshore, the Arabian Oil Company, a joint operation run by the Japanese interests ran at 236,342 barrels a day and offshore the Saudi concessionaire Getty averaged 42,437 barrels—the former well within rated capacities.

In an era of plentiful supply the heavy, sulphurous crudes of the Neutral Zone have not been fancied varieties. However, as Iranian exports diminished and finally dried up in the fourth quarter of last year AOC output rose to 236,342 barrels a day in December, compared with 74,380 in January. It is not a negligible source of oil.

Wildcat

The Jurassic geological formation embraced by the Aramco operating area contains the greater part of the Kingdom's hydrocarbon reserves. There, the wildcat drilling success rate has been 50 per cent over the past five years, even now it has not been fully explored.

The Precambrian shield that makes up nearly 30 per cent of Saudi territory holds little or no promise, but elsewhere exploration has been sporadic and infrequent, according to a writer in a recent edition of The Oil and Gas Journal. He concluded: "There are vast areas in the central, northern and western regions of Saudi Arabia which could contain major oil fields."

Saudi potential may be much greater than is now known for certain. For the time being, however, it is clear that the Kingdom is not prepared to meet incremental demand from consumers and, indeed, could not physically do so over the next few years.

Saudi Arabia has always opposed a co-ordinated plan for production—a position reiterated by Sheikh Yamani after last month's OPEC conference in Geneva. Even so, at the beginning of 1978 the Kingdom made a big practical gesture in this direction by imposing a ceiling on output of 8.5m barrels a day on an annual basis. It also laid down that liftings of its Arabian Light "marker" crude should should not exceed 65 per cent.

As it happened, these restrictions accorded with pressures within the Saudi hierarchy to keep output more in line with fiscal needs. In the meantime, with the glut continuing, Saudi Arabia—backed by Iran—was able to win grudging acceptance that price increases could be justified only by the market and conditions did not warrant one.

As it was Aramco's output during the January-September period of 1978 averaged rather less than 7m barrels a day and the Kingdom actually felt a financial squeeze. As the "swing producer" in OPEC it responded to the shortfall by increasing daily production to more than 10m barrels late last year before the formal decision was taken to raise the ceiling to a monthly average of 9.5m barrels a day during the first quarter.

It was a significant indicator of Saudi thinking on production levels that the price prevously decided for the last quarter of 1979 was charged fo rthe increment.

Exceptional though the circumstances were on account of the situation in Iran, Saudi Arabia had been forced to concede at the OPEC conference in Abu Dhabi in December that market conditions justified a price increase bigger than the first quarter increment of 2-3 per cent it would have preferred.

Reasons

The result was agreement on the 5 per cent increase in the base price of the Arabian Light "marker" crude from $12.70 to $13.34 with the subsequent phased increases for the second and third quarters bringing it up to $14.54 from October 1.

In January Sheikh Yamani said that Saudi Arabia's power to influence OPEC pricing decisions had diminished as a result of the Iranian crisis. At last month's ministerial conference in Geneva he argued for adherence to the 1979 schedule laid down three months before. The formal compromise reached — the highest common denominator of agreement—was to shift to the $14.54 set for the last quarter.

The result of the compromise was what Sheikh Yamani acknowledged to be a "multi-tier" system. At the same time the Kingdom has reimposed the 8.5m barrels a day ceiling—without waiting for Iran's exports to recover.

That level sems to be the maximum acceptable to the consensus reached in the Saudi decision-making process. One element in the calculation undoubtedly has ben uncertainty about the capacity of the oil fields tied into the present Aramco network, bearing in mind the optimum rate of output forprolonging their life as long as possible.

A little over two years ao when Saudi Arabia took issue with other members of OPEC, they were rated as being able to maintain a flow of 11.8m barrels a day. Because of technical reasons (including weather conditions at the Ras Tanura terminal), restrictions on the availability of Arabian Light, and enforced or prudent reluctance of customers to turn to other suppliers, Arammco production averaged only 9.1m barrels a day during those six months.

On one day last December output exceeded 12m barrels. Yet the 11.8m barrels a day capacity figure is still a notional one. Dr. Abdul Hadi Tahir, governor of the state oil corporation, said last autumn that the maximum sustainable rate was just under 11m barrels and in February Sheikh Yamani said: "We think that 9.5m barrels a day is a reasonable level of production on technical grounds."

In the meantime, the Saudi Government has taken issue with reports submitted to the U.S. Senate Foreign Relations Committee and selectively leaked to the American Press.

One such study was reported to have said that an output of 8.5m barrels a day could not be maintained beyond the year 2,000 and one of 12m barrels would lead to exhaustion in 15 years. According to another document a daily output of 14-16bn barrels would lead to a drastic fall in six to ten years.

To ensure maximum flexibility the Kingdom still wants to press ahead with expanding capacity, though the target has been scaled down to one that would give a "sustainable" daily output of just under 12m barrels by 1981—which might give a margin allowing a peak of up to 14m barrels over short periods. But development even to that point may be slow because of inadequate provisions made for financing it.

That is believed to be one factor accounting for the delay in completion of the state's full take-over of Aramco, in which Exxon, Socal, Texaco and Mobil still have a 40 per cent interest. As long ago as 1974 the Government announced its intention of taking full ownership and the main elements of an agreement negotiated three years ago are to be back-dated to the beginning of 1976. Compensation has been settled and the main financial provisions are in operation under the deal whereby the four majors will act as a service company operating on behalf of the future Saudi National Oil Company.

They are satisfied with 17-21 cents per barrel that they would be allowed as a "fee" bet concerned that this would have to come out of a 75-cent margin (deducted from the official selling price) that must also cover operating costs and a heavy investment programme.

The funds would have to pay for exploration, installation of gas and water injection, and maintenance of pipeline and pumping systems, some of which need replacing. The scale of money involved can be seen from the fact that the first phase of a sea-water injection programme designed to keep up reservoir pressures has cost more than $1bn. A 50 cents per barrel margin would leave about $1.5bn annually for investment at an 8.5m barrels a day production rate.

Perhaps a bigger obstacle to formal conclusion of the deal has been the question of oil entitlements. The draft agreement as it stood until last summer laid down a minimum daily rate of 6.5m barrels. If the companies failed to achieve it they would incur penalties in the form of lower maximum entitlements. The upper limit was set at 7.7m barrels. Last summer, ironically—because of slack market conditions and the curbs on production of Arabian Light—they had difficulty in lifting the minimum quota.

The maximum was cut subsequently to 7.2m barrels a day (though in the first quarter of 1979 it was raised o 8.1m). In negotiations on the take-over the Saudi Government has more recently been talking in terms of 7m barrels a day.

Asked last month what the entitlement would be, Sheikh Yamani replied: "Less than 7m barrels a day." With the official production ceiling restored and kept in force it could be very much less in a few years' time, at least as far as crude oil is concerned.

One important factor in the equation would be the state's own marketing plans. The last officially published figure of Petromin's exports was for 1976 when they totalled just over 500,000 barrels a day. The level would be higher now because of several new commitments made by Petromin such as the agreement to supply 30-40,000 barrels a day to Taiwan this year and 50,000 to Liberia in the future.

Bunkering

Petromin—which will become the Saudi National Oil Corporation—plans to boost direct sales. An indication of its ambitions was given by Dr. Taher last year when he spoke of transporting no less than 1m barrels a day through the Suez-Mediterranean pipeline.

Another aspect of the delay in finalising an agreement relates to the "incentive oil" that is being held out as bait for prospective foreign partners in the various joint ventures which are under negotiation or study.

The formula sought by the companies is 1,000 barrels a day for every $1m invested.

Three refineries that Petromin plans to build and operate in 50:50 partnership with Mobil, Shell International and Socal-Texaco would absorb 750,000 barrels a day of crude, some of which the companies would take as part of their reward.

The companies' interest in the projects derives from their concern to secure long-term supplies of Saudi oil. The Mobil and Shell projects have reached the "definitive stage." The Socal-Texaco one, though less far advanced, is still definitely alive.

Last November Petromin and the Royal Dutch/Shell group awarded to one of the latter's affiliates a $21m contract for design and engineering for a 250,000 barrels a day refinery to be sited in the Jubail industrial complex. A month previously Petromin and Mobil commissioned a similar study at the same price for the projected 250,000 barrels a day refinery planned for the Yanbo heavy industrial area on the Red Sea coast.

In 1977 Mobil also undertook to manage construction of the 48-inch, 800-mile pipeline that will carry crude across the country from the Ghawar and Abqaiq oil fields to the western region with an initial daily throughput capacity of 1.85m barrels.

Last summer contracts worth $400m were awarded for construction work on the project that should be commisisoned some time next year. The pipeline is of strategic significance in that it will give Saudi Arabia an alternative export route avoiding the narrow and vulnerable Straits of Hormuz and Bab el Mandab—in addition to Tapline which can carry up to 500,000 barrels daily to the Mediterranean seaboard and which has been in operation again.

At Ras Tanura Saudi Arabia already has one of the biggest refining plants in the world which, in 1977, processed 420,000 barrels a day of products from a daily capacity of 500,000. (Another 200,000 barrels was pumped to the export refinery in Bahrain.) Nearly 100,000 barrels a day was supplied to Petromin's own refineries at Jeddah and Riyadh.

Most of this domestically-processed crude was accounted for by internal consumption and the bunkering of tankers. The proportion would have risen in 1978 (for which no figures are yet available).

Saudi Arabia's own consumption was approaching the 400,000 barrels a day level last year and is expected to increase at a rate of over 25 per cent annually over the next few years. It will reach 700,000 barrels a day by 1983-4 and 1m by 1988, according to Dr. Taher.

The capacity of Petromin's refinery at Jeddah has been raised already from 95,000 barrels a day to 120,000. Expansion of its plant at Riyadh from 15,000 barrels a day to 115,000 by the Japanese company Chiyoda is scheduled for completion next year. A 90-mile pipeline from the Khurais oil fields that will be able to take a daily throughput of 300,000 barrels is being constructed by another Japanese concern, Niigrata Engineering. The capacity of this field and three smaller ones nearby is being increased to a similar level to supply the country's interior.

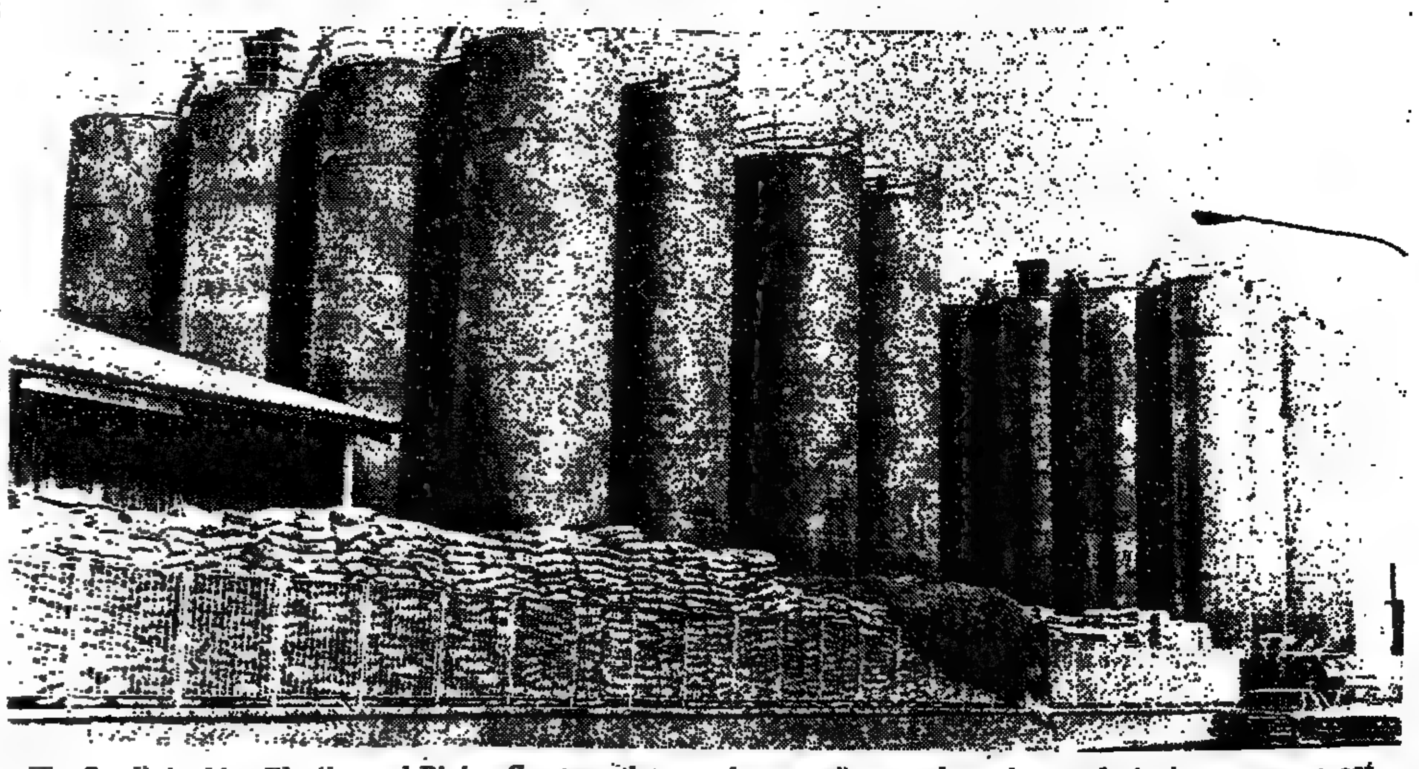
To meet plans for rising demand at home Chiyoda is constructing a 170,000 barrels a day refinery at Yanbo which should begin production next year. In addition, under its draft plan for 1980-85, Petromin has submitted proposals for adding extra capacity of 200,000 barrels a day to the Yanbo plant and 150,000-200,000 to the one at Ras Tanura.

By 1985 Saudi Arabia could have refining capacity of 1.5m barrels a day and perhaps more than 2m. That will add to problems of over-capacity in West Germany and Japan, as well as increasing the cost of petroleum products because of the greater expense involved in shipping them, compared with crude oil, and the investment in new terminals.

With a daily production ceiling of 8.5m barrels or so likely to remain force for the indefinite future and Saudi Arabia building up its own direct sales, it seems that the four Aramco partners will have to settle for a crude entitlement very much less than they had envisaged.

Saudi Arabia, meanwhile, will be in a strong position to force customers to buy a proportion of products as a condition for receiving crude supplies.

In six years time the kingdom should have taken a big step forward towards fulfilling its ambition shared with other producers, of profiting to the fullest from the added value gained from sales of processed oil.



The Saudi Arabian Plastics and Piping Company is one of a growing number of manufacturing concerns set up during the past few years

Trying to catch up

MANUFACTURING

JOHN TOWNSEND

FUTURE ECONOMIC historians, analysing Saudi Arabia's development in the last decades of this century, may well devote a significant part of their theses to the role in the evolution of industrial strategies of Saudis educated in Southern California. These highly intelligent and articulate men, consciously or unconsciously, are the architects of the "catch up with the West and especially the U.S." economic and industrial development philosophy. At a time when few people in Saudi Arabia had thought through clearly what development meant, or should mean, for their society, the Southern Californian Saudis were shaping policy.

It is doubtful if anyone is saying that they were wrong, but the question is being asked more and more whether the "catching up" school of development thinking is the only one possible for Saudi Arabia.

The one feature of the introduction of light manufacturing industry which is apparent to every Saudi citizen is that "catching up" industrially means bringing in foreigners to run industrial enterprises. This would not matter very much if it could be demonstrated that the foreigners were but a temporary expedient, there for a short period until such time as Saudis in sufficient numbers had been gathered, trained and given the requisite experience. But indications to date are that very few Saudis are interested in the industrial management role. They are natural entrepreneurs, outstanding at developing the quick and profitable deal but not interested in the long slog of undramatic industrial motivation and direction.

Impressive

In terms of actual numbers of manufacturing units launched, Saudi Arabian industrial progress on the light manufacturing front is impressive. Future plans are ambitious. At a conference in Abu Dhabi earlier this year, Hisham Nazer, Minister of Planning, said that at present there were some 800 manufacturing projects in the Kingdom with a total paid up value of some SR 6.8bn (about $2bn). He went on to say that by the end of 1980 he expected there to be about 1,300 manufacturing projects in the country.

A broad examination of light manufacturing industry in Saudi Arabia suggests that the number of projects and the capital involved in projects, interesting and important as these statistics are, could be misleading. A more detailed analysis brings the realisation that the great bulk of projects are very small and that there is much duplication. People who know the peninsula well speak of a "bazaar" mentality, that is, if one merchant in a bazaar in any town decides to stock, say, nuts and bolts, then before very much longer, most other merchants in the same bazaar will also be stocking nuts and bolts, irrespective of market demand.

Official awareness of this trend is indicated by the fact that the Ministry of Industry and Electricity has given notice that it is not prepared to issue any more licences for manufacturing units to produce, for example, bottled water, ice cream, animal and poultry feed, simple local clothing, paper tissues and paper bags, insecticides, or simple articles made of plastic—to name but a few of almost 100 individual manufactured items appearing on a list published by the department. The manufacturing units operating are small and fragmented, and, within broad product ranges, there has been little attempt at standardisation.

Of the 800 manufacturing units referred to by Sheikh Hisham Nazer in his Abu Dhabi speech, some 400 have been financed by the Saudi Industrial Development Fund (SIDF). This fund was established in March 1974 to act as a catalyst for industrial expansion. It made its first loan in August 1974, and the number of approvals has more or less doubled each year. A major part of the SIDF's lending activity has been in the private sector electric power generation industry; loans to these power generating utilities are in addition to the 400 or so ordinary industrial loans.

The SIDF sets out to act as a development bank and its project appraisals, carried out by a highly competent staff of professional economists and engineers, aim to ensure that loans are made only on sound commercial banking principles. SIDF is prepared to consider financing up to 50 per cent of a project's capital requirements. Officially loans do not carry interest, but a 2 per cent per annum administration fee is charged. Loans are intended to be paid back from the profits of the project financed, and pay back schedules are tailored to the cash generating projections of each project.

Liberal pay-back schedules, interest-free or very cheap loans (a prospective Saudi industrialist can also raise capital to buy the land for his project from the Real Estate Development Fund at 2 per cent), and an assured local market for the locally manufactured projects should give Saudi local industries a considerable advantage, an advantage possibly offset in part by the fact of the need to employ expensive foreigners to manage and operate most light manufacturing plants.

The industrial licensing policy of the Ministry of Industry and Electricity is intended to ensure that there will not be excessive internal competition. In any event, local industries so far are on so small a scale, and the local market is so imperfect that there has been, as yet, no genuine testing of Saudi manufactured light industrial products.

That such testing will take place in the future is almost certain. As more and more industrial projects are launched, as these projects grow in sophistication and become larger, so will competition between locally produced and imported goods increase. Inevitably, too, there will be greater competition between rival local manufacturers.

Capital

When this stage is reached, industrial strategies within the framework of overall national economic objectives and policies may have to be appraised. The extreme cheapness of raising capital to launch industrial projects in Saudi Arabia, especially in an economic environment where most entrepreneurs have made already one of two fortunes as import agents and as contractors, is tending to have an effect not envisaged by planners. Just as in Europe and in North America rich industrialists, having made their fortunes in manufacturing, tend to buy farms as havens for their wealth, so do wealthy Saudis tend to start small manufacturing units. In each case, a commercial return on the capital invested can be very much less important than a status-filled extra activity which impresses one's friends and which is run by a professional manager.

Successful small manufacturing units in industrialised countries tend to be set up by people with manual skills themselves. No small part of the capital input of such manufacturing units is the innovative technical flair of the founder of a business.

Hence the successful Saudi light manufacturing business of the future is likely to be the joint venture between Saudi entrepreneurs and expatriates with saleable technical ideas. Few expatriate employee managers, no matter what managerial and professional skills they possess, tend to have the sleeve-rolled-up, "do-it-yourself" workshop floor mentality which small manufacturing units need if they are to win and keep a competitive edge.

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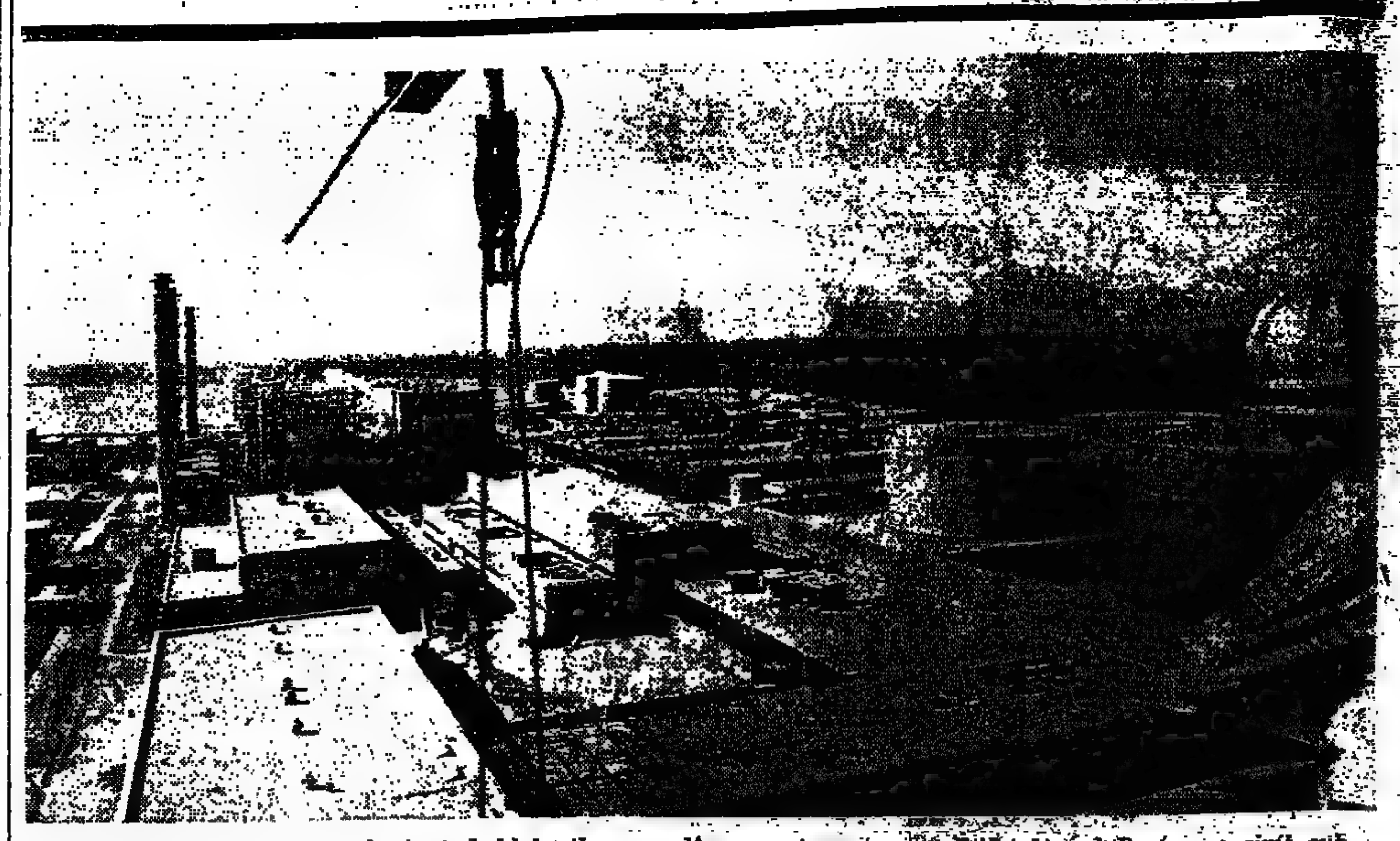

Desalination and power plant at Jeddah: the consulting engineers were Ewbank and Partners; civil sub-consultants were Sir William Halcrow & Partners

The search goes on

WATER

JAMES BUCHAN

ON THE second day of this month, the Saudi Ministry of Agriculture awarded over $1.5bn in contracts to launch a vast scheme to double supplies of drinking water to Riyadh. The project, believed to be the largest water scheme ever to serve a single town, will mine fossil water from a prehistoric reservoir which underlies the Eastern Province. By completion in late 1981, the project will provide an additional 52m gallons daily to the capital at a cost of over SR 2.7bn.

Such is the rapid expansion of the capital, however, and the utter inadequacy of the rainfall, that the project, named after the Wasia aquifier, will almost immediately be superseded. The capital's population of 800,000 inhabitants now consumes about 48m gpd. But the water table is sinking rapidly in the present wellfields and there is now no alternative but to supplement these supplies from desalination. At Jubail, 375 miles across the Dahna sands towards the Gulf, desalination plants producing 210m gpd will be built. By 1985, according to Dr. Abdul Rahman Al-Sheikh, Minister of Agriculture and Water, Riyadh will be receiving an extra 175m gpd, piped from Jubail and mixed with the Wasia stream.

The truth is that for the first time in the history of the Arabian Peninsula population and ambitions have been permitted to grow beyond water supplies—and at such a rate that the Ministry and the Saline Water Conversion Corporation are frantic to keep up. In a country four-fifths of which is so arid it can support only limited grazing by nomads, the Government has been obliged to give priority to finding water—from limited and fickle rainfall, from groundwater reserves that are poor in quality and ultimately depletable, and from seawater, which though unlimited is extremely expensive to process. At the same time, in order to curb rural depopulation and the rapid increases in food imports — 57 per cent last year — the Government is paying more attention to agriculture, which can only place an additional strain on existing supplies.

The conservation instinct has vanished among settled farmers and in the major towns, whose ravenous appetite for water for drinking, construction and industry is growing rapidly with the influx of immigrants and without regard to waste. Their future now rests with the generosity of the sea. According to demand projections from the SWCC, the Western Province towns will consume 194 mgd in 1985, over half of it from desalination: Riyadh will need 239 mgd, more than two thirds from desalination; and the Eastern Province towns' requirements 110 mgd, nearly three-quarters of which will have to come from conservation.

Rainfall can provide little help. On average, the 900,000 square miles of the country receive only 10 millimetres a year and precipitation varies greatly from year to year. The only area to receive enough rain to permit a settled and extensive agricultural base is the mountainous south-western province of the Asir.

Here the south-western slopes *catch the summer monsoon and* an annual rainfall of about 30 centimetres has allowed extensive terraced agriculture, groves of wild juniper and acacia, and relatively dense populations. On the lower slopes, Bedouins graze herds of over 1.5m sheep and goats and about 800,000 camels.

Elsewhere in the Kingdom, long periods of drought alternate with freaks of weather. In January, two people died in a snowstorm in Rafha near the Jordanian border. In March, a shower north of Riyadh makes the desert bloom with wild irises. Throughout the winter months, periodical downpours cause flash floods that are destructive to roads, bridges, crops and settlements.

On the morning of January 14, the most destructive downpour in nearly 25 years hit Jeddah. They sky turned black and, in the space of three hours, the heavens dumped on the city more rain than had fallen in the whole of 1978.

It was the worst downpour since December, 1956, when the suburbs of Mecca and even its great shrine were badly flooded. But lesser rains are annual events and merchants and the municipaliy are always taken by surpise. There is rain, but it invariably fall in the wrong places in the wrong quantities.

As the ruins of pre-Islamic dams in the Taif area, Wadi Najran and Al-Khaybar show, the harnessing of this savage aund unpredictable rainfall has always been the key to agriculture and the Ministry of Agriculture has undertaken a new dam-building programme to permit more extensive and less risky cultivation in the wadis.

Dams

The largest of the new dams is the Malaki Dam across Wadi Jiaan, which can hold 71m cubic metres and actually overflowed during heavy rains in the south west last year. It is the basis for a project designed by British consultants Sir William Halcrow and Partners to irrigate 6,000 hectares and due to be finished this November. A dam of similar size has been built near Abha and a half a dozen smaller dams have been completed, mostly in the Asir.

Four more are under construction and a further 15 in the Asir alone are under design. The Canadian consultant, McClaren International, is completing a two-year study on the development of surface and sub-surface water in the Asir in relation to settled farming, stockbreeding and domestic supplies.

Beneath the massive petroleum-bearing structures of Ghawar, Berri and Safaniya, and separated by layers of gypsum, are reservoirs of water called aquifers—the Alat and Khobar, the Umm er-Radhuma, the Aruma and the Wasia. Like the oilfields, they are relics of the period when the province was under water and of periods of greater rainfall between 20,000 and 40,000 years ago. From outcrops below the Tuwaiq scarp near Riyadh, these aquifers dip shallowly down towards the present shore line.

Since 1977, the British consultancy Groundwater Development Consultants has been surveying the exploitation of the Umm er-Radhuma as a base for widespread agriculture in the Eastern Province. But the extremely poor quality of the soil above the aquifer, the high capital costs of well-drilling and irrigation systems and the shortage of people, as well as their reluctance to work the land, must make implementation of the scheme a distant prospect.

The wholesale import of labour—as at Hasa—would presumably be self-defeating at a time when the Third Five-Year Plan now being drawn up will attempt to reduce dependence on non-Saudi manpower. The strategic desire to reduce dependence on foreign countries for such an important commodity as food is cancelled out if it is at the expense of creating large foreign communities within the country.

Riyadh is fortunate, however, in that the aquifers do provide a reliable source of drinking water and water for the parks, gardens and industry of the expanding town. The main water supplies come from very deep wells around the town and in the Minjur aquifer to the west. New supplies are being brought in from 16 wells up to 40 miles from the capital. Minjur water will be phased out when the Wasia begins to flow in May, 1982.

The aquifers are vast. After 80 years of peak pumping of 52 mgd at the Wasia, the consultants estimate that only 10 per cent of the available water will be exhausted. But recharge is low—8mm at the Wasia outcrop—and as the water is drawn up the water table goes down and with it the quality of the supply. This is evident at Kharj, south of Riyadh, where the gypsum has fallen away to reveal groundwater at the bottom of great holes—Abdul Aziz watered his camels there before the surprise of Riyadh in 1903. Water extracted for arable and dairy farming in Kharj has lowered the water level considerably.

Desalination

As the water table drops, the brackishness of the water increases. There are instances of pumping equipment at Buwaib and Salboukh corroded to nothing in a year. Two reverse-osmosis desalination plants have already been built to treat aquifer water and a third—the largest in the world—is tentatively planned for the later life of the Wasia. However, this will depend very much on Jubail plans, since the addition of 175 mgd of desalinated water to the Wasia stream would make the plant unnecessary.

The future as regards domestic water supplies and water for industry lies with desalination. Saudi Arabia is easily the largest export market for desalination processes, both reverse osmosis, which cannot yet treat seawater, and multi-stage flash, a condensation process developed by the Glasgow company Weir Westgarth. Originally developed *for use on ships, the technology* has had customers in Saudi Arabia for 70 years. In 1907, the Ottoman governor installed a condenser on the Jeddah foreshore which produced a trickle of squalid water until the Great War cut off supplies of coal, and timber used in its place damaged the boiler.

The shards of al-kindassah, sentimentally set in concrete, now point the way to the smoke stacks of Jeddah I, II and III, and to the site of Jeddah IV, which will raise Jeddah's supply of desalted water to nearly 90m gallons daily in 1980.

The SWCC was entrusted in 1975 with an ambitious programme of providing 212 mgd of desalinated water by the end *of the Five-Year Plan* next year. This goal will not be reached, although installed capacity will probably exceed 130 mgd. The delays started in 1976, when disagreements between the SWCC, the Ministry and other Government departments led to the cancellation of contracts for Jeddah IV and four other plants on the eastern seaboard. These were compounded the following year when the head of the SWCC, Prince Muhammad Al-Faisal, resigned complaining of interference—apparently again over Jeddah IV. More than SR 2.5bn in contracts was finally awarded last May, for a 25 mgd plant at Yanbu, a small plant at Khafji and support work for the vast Jubail project. But budgetary stringency this year has held up the award of Al-Khobar II (50 mgd) and there is apparently no budgetary provision for Jubail, which will be built in three simultaneous phases.

The new governor of the SWCC, Abdul Aziz Al-Rashed, said recently that Saudi Arabia, after 20 years in the field, was now in a position to pioneer developments in desalination technology. He spoke particularly of plans to develop a single plant of 66 mgd—considerably larger than anything so far built—and research into solar and nuclear-powered plants.

The multi-stage flash process also produces about 1 MW of power for every million gallons, and the monster plant now under study by the Saudi-U.S. Joint Commission offers some economies of scale, but desalination remains an expensive business. Desalinated water, for example, is far too costly to use in agriculture. In Saudi Arabia, it takes eight gallons of water to grow a single tomato.

Because of this the Saudi Government is giving some attention to the search for alternative sources of water. The UK National Research Development Corporation has been contracted to look into the possibility of recycling water as part of a larger effort to draw up a national water plan. But the kind of extensive re-use of waste water common in southern England and elsewhere in Europe would meet considerable opposition from consumers in Saudi Arabia, according to the consultants.

Several other avenues are being investigated, and such hoary projects as supplying drinking water in empty crude tankers receive the occasional airing. The most interesting of these, a scheme to station Antarctic icebergs off the Saudi coast as a water supply for short-lived agricultural settlements appears to have lost Saudi support. The resignation of Prince Muhammad, former head of the SWCC who had offered Saudi funds for research into the scheme, combined with the weight of global ridicule brought on Saudi diffidence. The scheme is no longer discussed. For the moment, at least, the only practical solution is desalination at any cost.

Major projects ahead

AGRICULTURE

H. BOWEN-JONES

A CONSIDERATION of agricultural drive in Saudi Arabia may seem somewhat sanguine when set against a background hitherto of relatively slow growth in farming production, the immensely negative resource attributes of so much of the Kingdom and the chronic manpower shortages which affect so many activities. And yet the evidence now clearly points to a coming decade of quickly accelerating agricultural transformation, this following the past decade of slowly gathering momentum.

The period between 1970 and 1975, that of the First Plan, it is true was one in which agricultural sector production value grew more slowly than any other sector, but the average annual rate of 3.6 per cent was considerably higher than the world average. The difficulties of arid zone agriculture can be exemplified by the enormous fluctuations in the wheat harvest between a low 63,700 tons in 1972-73 and a high of 153,400 tons in the succeding year, which was then followed by a two year decline to the 1976-77 level of a little less than 100,000 tons; even so the running mean shows a reasonably steady improvement while vetegable and fodder production figures have climbed much faster. The truth is of course that so far the 1970s have largely been characterised by a slow climb in the foothills of agricultural production, and only now is the pay off from a great deal of earlier effort beginning to show.

In some regions, such as the great oasis of Al Hassa, very large technical investment has been made in areas where traditional agriculturists have long been established. Here change can only take place at a rate acceptable to existing farmers, and the key to success lies in demonstrating new and profitable opportunities through extension and advisory services. In other regions the emphasis has been on the reclamation and exploitation of virgin land and water resources, for example at Haradh and Dawasir, and here the demands for technological and management capability as well as for capital have been enormous. And the whole while it has to be remembered that the foundations for development were barely completed by 1970—the data-studies for public land distribution, the national resource surveys, the establishment of a strong Faculty of Agriculture at the University of Riyadh, etc.

Agriculture now stands on the launching pad. Two major research and development facilities at Hofuf and Qatif, increasingly staffed by trained Saudi Arabians assisted by a great range of foreign specialist groups—from Britain, Germany, France, the U.S. and Taiwan among others—have already produced an enormous volume of trials results ready for application in irrigation, livestock and fodder production. Other animal husbandry centres are well established at Al-Medinah Almonarwah (Where there is also a data research centre) and Dirab. Range improvement projects at Huma, near Taif, and Ara'r in the northern province are similarly well established. The Ministry of Agriculture and Water now also has agricultural equipment and other training centres and central laboratory facilities near Riyadh.

Demand

At the other end of the spectrum lies demand. While agriculture (including pastoralism) may still absorb over 30 per cent of the labour force, probably over 80 per cent of the population is dependent on commercially available foodstuffs. Between 1969 and 1977 imports of live animals, fresh and frozen meat and chickens rose from SR 143.3m to SR 869.4m, and the imports of flour and rice almost trebled in value. Generally high incomes and living standards have particularly strengthened demand for meat, milk, poultry and eggs, the high-value high-protein products. This demand has been particularly concentrated in the three main regions in which economic activity and prosperity have been greatest, Hijaz—including the major centres of Jeddah, Taif, Mecca and Medina; central Nejd with Riyadh and its satellites; and in the east the near-conurbation of Dammam, Al Khobar and Dhahran. Even now, however, provincial and secondary centres, such as Tabuk in the north and Abha in the south-west together with others, have become significant demand centres.

Between the growing technical capability created by Government and raw market demand lies the critical area of Government intervention, ranging from massive investment in development projects to policies of subsidising consumers and producers of agricultural products. During most of the 1970s such intervention was perforce rather heavy handed, sometimes rather unselective and frequently contained some internal contradictions. This was not surprising given the small size of the Saudi Arabian profes- paucity of basic data, an inevitable reliance on foreign expertise and, perhaps above all, a complex of varying governmental objectives ranging from social welfare to a lessening of dependence on imported food. This was the period in which some SR273m. was spent in the basic reconstruction of irrigation and drainage systems in Al Hassa, of the Wadi Jizan dam and irrigation project in Asir: it has also culminated in a great range of producer subsidies e.g. of SR0.30 per kilo of rice and SR0.25 per kilo of wheat, 50 per cent of the cost of chemical fertilisers, SR30 per head of sheep flocks numbering 40 or more and SR50 per newly planted date tree and many others.

Inevitably there has been waste, inevitably there have been incompatibilities — in purely economic terms Saudi Arabia needs fewer datepalms rather than more, and in human terms a career in "dirt-farming" has proved far less attractive to pastoralists than has a move to the cities. Howevr, through a relatively lavish use of the one plentiful resource—money—Saudi Arabia has not only obtained some considerable production responses but is winning through to a remarkable degree, given the rapidity of change, to a considerable level of sophistication in its approach to agriculture.

At one extreme one can adduce the case of Buwayb, 60 km north east of Riyadh where high temperature water from very deep aquifors will not only supplement Riyadh's town supply but will be linked with a large hydroponic agricultural production unit. At Jizan some 50,000 farmers are being involved in a major regional development scheme, which, based on the Wadi Jizan flood control and water storage dam, will provide marketing and support services as well as new land and new production opportunities. Najran (also in Asir), Burayda and Kharj in the central region, as well as Wadi Dawasir to the south, are among the areas where major state-financed large-scale projects are now under way, more and more hard-headedly controlled by an increasingly skilled Ministry management. In the main agricultural regions there is also an accelerating private initiative, particularly in meat, meat and poultry production, an initiative especially important in that much private capital, which traditionally would have flowed into real estate and commerce, is now being reinvested in the land.

Mature

Ironically, it is this increasingly mature governmental and private drive in agriculture which is creating a manpower problem different from that experienced in the last decade. Then the difficulty was in retaining or obtaining on the land a basic labour force of cultivators. Now and in the future the difficulty lies and will lie in finding sufficient technical and managerial skills to run the technically more complex, more capital intensive and larger production units. In the largest governmental projects management and training services are now being required of foreign companies in addition to the standard consultancy and construction provisions. In the private sector the demand for expatriate skilled farm managers and the like cannot be expected to subside. Although less than 0.3 per cent of the land of Saudi Arabia is now cultivated, a 50 per cent increase in actual crop area is certainly feasible. Improvements in range management are certainly possible over far greater areas.

Perhaps the most important forces which will ensure that the drive continues are ultimately global rather than national The Kingdom has no set policy of trying to achieve self-sufficiency in food stuffs and with at least a half century of continually rising revenues from oil ahead Saudi Arabia cannot fear an inability to meet import bills. Nevertheless it cannot feel easy at its continued immense dependence on imports and therefore on the availability of agricultural produce in a world in which protectionism grows and politico-economic stability declines. The jointure of domestic capital and indigenous and foreign agricultural skills in increasingly technologically advanced and specialised agriculture is the road on which Saudi Arabia is now firmly set.

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Fresh milk is produced at four Masstock dairy farms near Riyadh, and is marketed in the east coast towns under the Almarai brand name.

Regional grids needed

ELECTRICITY

JOHN TOWNSEND

THE DEBATE in Saudi Arabia on the subject of industry in the kingdom does not extend to that other arm of the Ministry of Industry and Electricity, electric power generation and distribution.

Throughout the country, people have become accustomed to the benefits of electricity, and especially to air conditioning in the torrid months of summer. There is no way back now: the government has to ensure that ever-increasing demand for electricity is met.

Extensive blackouts last summer in the Riyadh area worried the government and determined steps have been taken to try to make sure that there will be no recurrence this year. Ministers do not need to be reminded that it was the power failures causing extensive blackouts in Iran in the summer of 1977 that first made the average Iranian aware of the inefficiencies of the Shah's government.

But with demand increasing at an annual estimated rate of 60 per cent, and a fragmented, largely private sector power-generating industry, it is difficult for the government to be certain that its best intentions are translated into additional generating and distribution capacity fast enough to meet the rising consumption.

First steps were taken to consolidate and to rationalise power generation in the Eastern province (where there is a concentration of industry) in January 1977. In that month, 26 private electric utility concerns plus the massive and sophisticated Aramco network, were consolidated into the Saudi Consolidated Electric Company (SCECO). Aramco has a contract to manage this $1.45bn enterprise, in which the Saudi government has a 40 per cent share.

Combining these units into one integrated network was not the work of an afternoon. Naturally, before the amalgamation each individual unit had had little incentive to standardise, and management skills extended from the great professionalism of Aramco to the most basic.

The process of consolidation takes time: SECO plans to have a consolidated regional grid in the Eastern province by early 1982. Already a 115-kv loop covers the more densely-populated coastal area of the province.

The 40 small generating units currently producing power for the Riyadh area are being consolidated into one production and distribution company. The merger must eventually result in large centralised generation units and the standardisation of transmission systems. Ultimately they probably will have a link to the Eastern Province grid.

The major towns of the Red Sea coast, having large desalination units and projects for even more desalination plants, are relatively better off. By the end of 1980, electric power capacity as a product of the desalination process is expected to reach 1,200 MW in the Jeddah and Yambu areas.

There is no serious thinking in the kingdom about a national grid. The distances involved would make such a grid enormously expensive, even with the country's financial resources.

Increasingly there is an awareness that the country's finances are far from being infinitely large. But there will almost certainly be four, or possibly five, regional grids: the Eastern Province, the Riyadh area, stretching north to, but not including, the town of Hail, the northern and southern Red Sea coast areas, and possibly the northern provinces.

The future shape of these grids should appear when the report of the U.S. consultants Charles T. Main, working under the aegis of the Saudi-U.S. Joint Economic Commission, is published. This report covers a 25-year electrification programme for the entire country.

The Government has tried to leave the power supply industry in private hands, but increasingly it is realising that the private sector requires at least a framework of national policy and some assistance with pricing if the kingdom's best interests are to be served. All private companies are therefore subsidised.

To ensure that the private sector has access to capital for the necessary expansion, the resources of the Saudi Industrial Development Fund were made available for private electricity projects and the financing of such projects rapidly became a major part of the development fund's activities.

The fund provided financial backing for the establishment of SCECO and is also involved in the consolidation of the various Riyadh power generation and distribution systems. As at the end of 1977, SIDF had made a total of 74 loans totalling SR 4.4bn ($1.3bn) for electricity projects.

The need to add additional generating and distributing capacity, plus the necessary management and maintenance services, to meet the sharply increasing demand is likely to be one of the most pressing domestic problems facing the Government of Saudi Arabia over the course of the next two to three years. This issue could very easily have important political ramifications.

Foreign labour a worry

MANPOWER

JOHN WEIR

SAUDI ARABIA is uncomfortably aware that it is completely dependent on foreign labour. Nevertheless, it is increasingly determined to control the massive influx of workers (from Asia, Africa, Europe and the Americas), in order to keep Saudi Arabia for the Saudis.

The decision last summer to insist that all foreign workers be there legally has brought fear into the streets of the cities, caused severe disruptions in the casual labour market and demonstrated the Government's deep concern over the human sub-structure on which its economic development rests.

Each Hajj brings a new infusion of illegal workers from the world's poorest countries to melt into the cities of one of the world's richest. Worry over these vast and often fraudulent shipments of manpower is understandable.

The second Five Year Plan's projection *of a non-Saudi labour* force of 812,600 by 1980 now seems wildly optimistic but as Sheikh Hisham Nazer, Minister of Planning, said in a recent interview: "I think our successes in plan implementation in recent years would have been far fewer if we had not been so constantly mindful of the need to regard our Second Development Plan as flexible."

One reliable report recently estimated that out of 5m Saudis, 1m are in the *labour force* compared with 1.3m *foreigners:* 80,000 from the Far East, 300,000 from the Indian subcontinent, 400,000 from the two Yemens (with 180,000 in the Western Province), 350,000 from Egypt, and 50,000 from Europe and the U.S., with the *remainder from assorted coun*tries in the Third World, including other northern Arab States.

Interned

The dangers of exposing the have-nots to the blinding wealth of Saudi Arabia were perhaps never more evident than after the theft of a SR 6m payroll for workers employed on the military hospital in the capital by Phillip Holtzman. All Pakistani, Indian and other casual labourers were reportedly interned behind wire fences at the camp outside Riyadh. In the manner of Mayor Daley's Chicago, tough action paid dividends. A night watchman eventually remembered seeing two West Germans enter the main office after hours. They are now in prison.

An even stronger motive for the crackdown on foreign labour than crime prevention was the gnawing sense of not knowing who was doing what, and where in Saudi Arabia. And so a relentless campaign to round up unauthorised workers was launched. Prince Naif, Minister of Interior, announced on March 10 that in the first six weeks of this year 38,000 illegal aliens had been deported. The frequent warnings and promises *of vigilance can only mean that* the purge will continue.

Sudanese and others living in the poorer sections of the city say a knock at the door in the middle of the night is not uncommon. Husbands can come back from a day's work to find their wives or parents have gone. Those arrested are usually held incommunicado for three days before being shipped back to their countries. Those who can get word out and *eventually show their* legal documents pay a fine of up to SR 600.

At a time when Islamic fundamentalism is said to be on the rise, Pakistanis report that many of their compatriots are returning to their country disillusioned with their holy land *and its religion.*

This year's Hajj was the most strictly controlled in memory. On arrival pilgrims were made to immediately board buses at the airports and ports. They were then immediately driven to Mecca. The *mutawwifs*, or Hajj guides, were instructed to *keep a close eye on their flocks.* At the end of the Hajj, the over 830,000 pilgrims from outside the country, a 13 per cent rise over last year, were virtually escorted to the aircraft, ships and buses that were to take them home.

If contractors have had trouble with fluctuations in labour supply and wages since the crackdown, they can at least look forward to a more regular and controlled flow of workers. Day wages, which rose from SR 35 to SR 85, when workers were lying low during the first summer raids, have now ebbed to about SR 50.

Two of the most visible groups of labourers are the Koreans and the Yemenis. *Because of the* serious shortage of manpower in South Korea, particularly of skilled labour, workers from that country rarely stay longer than a year, which is of particular attraction to wary Saudis. Their discipline and energy are legendary. Saudis are bemused and even a little condescending when they see the hordes of Koreans toiling under the blazing sun in almost every Jeddah street.

Problem cases are immediately shipped out. A Korean official in Jeddah even went so far as to say that those who break Saudi or Korean law automatically resign and go home because "they have failed their duty." They work a 48-hour week and earn about $800 a month, only marginally more *than they would make back* home. Most are brought in on block visas by Korean companies and, after Korea's $2bn contract blitz last summer, their numbers are expected to increase. In 1974 there were 4,000 Koreans. There are now an estimated 40,000.

Advantages

Yemenis are the only group *in Saudi Arabia who are not*, in effect, indentured servants. Their residence permits are not tied to a labour contract. Consequently, they are the only legally fluid labour pool.

Despite their unique advantages, Yemenis face stiff competition since the issuance of block visas was legalised three years ago. This, coupled with the availability of higher wages in North Yemen, means that their numbers are decreasing especially when compared to Pakistanis, the group said to be growing the fastest.

The Saudi labour force is confined mostly to the management level desk jobs, and to certain services such as road haulage and taxi driving and tea-making. There are very few Saudis in the skilled, semi-skilled and unskilled labour sectors. But Saudia, the national carrier, and *Aramco have had some success* in training men for carrying out a wider range of functions. Sheikh Kamil Sindi, Director-General of Saudia, said the TWA management contract is about to be scaled down to a technical services agreement, virtually all middle and senior level management positions are now filled by Saudis.

Aramco, which has been training Saudis at all levels since its inception, is soon to be nationalised, having cheerfully worked itself out of a job.

Sheikh Kamil said that TWA will become no more than a recruiting agency: "When we need, say, 20 mechanics, TWA will provide them but we will be in charge."

His example is apt. TWA officials reveal privately that, though Saudis make excellent pilots and administrators, Americans and other foreigners will be wielding the spanners *for years to come.*

The Government started its Vocational Training Directorate under the jurisdiction of the Ministry of Labour and Social Affairs in 1963. Its effect has not been negligible, despite the priority given to the development of so-called "human resources" which in the 1979 budget was allocated SR 15.7bn.

Vocational training centres have been built or are planned for virtually every city and major town in the kingdom. In July, Mr. Ibrahim al Anqari, Minister of Labour and Social Affairs, signed a SR 25m contract with the U.S. concern Frank Holmes and Company for the design of 10 training centres in Jeddah, Riyadh, Damman, Qasim, Najran, Al Hasa, Abha, Bisha, Taif and Jizan. The Ministry recently put construction of the 10 centres out to tender, requiring letters of intent to be received by May 5, 1979.

Young Saudis are regularly exhorted to join a vocational training programme and are paid from SR 500 a month to SR 1,500, as well as being given free room and board and transportation.

Sheikh Ahmed Jaffali, of E. A. Juffali and Bros., established a special training programme in 1976. The programme is now linked to the Mercedes truck assembly plant, a joint venture with Daimler Benz and the kingdom's only such industrial project.

There are 38 young men between the ages of 16 and 21 enrolled in the four-year programme. Half of them are Saudis. Next year's class of 17, selected from an applicant pool of 30, are all Saudi citizens. They are given a monthly stipend of SR 500 for the first *two years and SR 1,400 for the* last 24 months of training. The programme is a considerable private investment but the students are under no obligation to join Juffali after graduation.

Nevertheless, Juffali's National Automobile Industries are heavily dependent on Turks *imported from* Germany, and the training centre will not graduate its first class of 16 until the end of 1980.

Training

Saudis from the villages and outlying regions have taken to lorry-driving in droves. It is considered an honourable profession and it has certainly been a lucrative one, though a dangerous one, too, given the rate of accidents.

In 1976, 25,311 trucks were imported; 15,927 in the 16-*tonnes-and-over class, domin*ated by Daimler Benz, and 9,384 in the 8-to16-tonnes group, the largest share taken by General Motors.

According to a recent market survey, almost all owners have a small fleet of up to five trucks which they and their immediate family members operate. In the mid-1970s, at the height of the construction boom, these hardy bedouin were taking in around SR 30,000 a month but, as the transport market is now flooded and the Government-generated economy has shifted into a lower gear, they now make between SR 10,000 and SR 15,000—still more money than there is to be made back on the farm—or with the tribal herds.

Of the 170 owner-operators interviewed for the survey, 48.1 in per cent *transport* building materials, 33 per cent general cargo, 11.5 per cent oil products and 7.1 per cent water.

As a developing country, Saudi Arabia is almost unique in depriving itself of half its labour force. Women are not allowed to work and, when it could no longer be ignored that they were working in increasing numbers, a decree went out last May from the Ministry of the Interior forbidding the employment of even foreign women who happen to be in the Kingdom because their husbands work. Parsons was reported to have put 60 female employees *on temporary leave.* They have now all been replaced by male secretaries and clerks from the sub-continent — a needless import of more foreign manpower the *Government does not want.*

For the expatriate wife (no foreign career women are allowed in the country), this is, at worst, a temporary inconvenience. For the Saudi woman it can be an intensely frustrating fact of life. Foreign companies say they often get calls from *graduates of the women's* universities asking for jobs. When the women are turned down, they are often very bitter.

With the establishment of girls' primary education in 1955 under the patronage of Princess Iffat, wife of then Crown Prince Faisal, a steady progression developed from primary schools to secondary education to university and graduate programmes for women.

The next logical step in the sequence is employment and a fuller integration into society but few Saudis are willing to predict when the country will *be able to sustain such a change.* Medicine, teaching and social work are virtually the only outlets for the Kingdom's trained woman power.

Market researchers say the Saudi Government is keeping a wary eye on manpower. Ministries and private investors have caught the Western penchant for surveys and are commissioning them faster than they can be completed. They are asking how they can bring their own people into the labour force, what incentives are needed for a worker to move from his village outside Mecca to a factory in Yenbo, or how many foreigners will be needed in what sectors.

هكذا من الأصل

Curbs add to problems

THE PAST year has been a very difficult and disconcerting one for companies undertaking work in what is the world's largest for the construction industry market. Just as the Saudi economy seemed to be settling down to a steady pace and inflation had come down to a much lower level, the industry was confronted with new problems in addition to the continuing and traditional ones of bureaucratic inefficiency and the endemic disruptions caused by the religious fast of Ramadan, holidays and the pilgrimage period.

Chief among the problems was of course, the curbs on Government spending, decided upon last June to reduce inflation further and curtail the considerable waste of money that has resulted from lack of tight supervision. In Saudi Arabia the State is responsible for over 90 per cent of a construction programme that last year was reckoned to be worth some SR 60bn.

Even the slightest shift in policy is of crucial importance to contractors. The fiscal restraints introduced amount to a major change that has badly shaken many of them. To make matters worse for them there has been reorganisation and chaos in the labour market that has added considerably to costs by removing casual workers from the country.

From the beginning payment delays—which at the best of times tend to be the rule in Saudi Arabia rather than the exception—grew longer. The trouble began from the original directive to the effect that departments were not to spend more than 70 per cent of their budget allocation without referring to the Ministry of Finance. It was interpreted in different ways.

Controls

The Ministry of Agriculture and Water and the civil aviation wing of the Ministry of Defence for a while were reported to have slashed back payments due on all contracts by 30 per cent. Others scaled down or delayed projects. The Ministry of Finance contributed to the arrears by minutely scrutinising actual payments and tightening controls on those it considered wasteful.

In September pointed emphasis was given to the rejection by the Ministry of the Interior of a $400m bid by a U.S. company to update the highway patrol system. "Extravagant" specifications from consultants, as well as alleged over-bidding by contractors, were condemned at the outset of the financial year.

A new catch-phrase in Riyadh—apparently coined by Mr. Mohammed Aba al Khail, the Finance Minister — is "every riyal in its place." The length of delays in the payment for certain contracts and the award of new ones is not entirely attributable to their scale or their complexity. Rather, it seems, everyone is being taught a lesson. In January the Council of Ministers decided that Government contracts and purchases worth more than $100m (some $30m) must be approved by Crown Prince Fahd, First Deputy Premier, who is an over-worked and busy man.

Another reason for the slowdown has been the somewhat [illegible]less campaign against unjustifiably large commissions—a campaign that has received some stimulus from events in Iran. Unconvincing though it may be to some observers, the resultant elimination of bigger orders has been conscientious enough to hold up payments and awards of new contracts. In the wake of speculation about the big telephone contract that the Government ordered to be renegotiated in 1977 and the controversy over the original contract placed for the Jeddah IV desalination plant the Government early in last year issued a decree limiting the commission of agents to 5 per cent. Implementation of it has not been very effective.

Attitude

Nevertheless, the old laissez-faire attitude towards the fat rake-offs is under question for two reasons. First, real divisions of wealth are beginning to appear within the Royal Family itself within whose ranks some sons of senior princes are in a very advantageous position to take the richest pickings—to the resentment of their less privileged cousins. Secondly, profiteering from the State is beginning to be seen as a blatant disregard of the concept of citizenship.

The revenue squeeze was a temporary phenomenon. As a result of the Iranian crisis, oil production picked up towards the end of 1978 and since the beginning of the year has been running at 9.4m barrels a day. There has been some improvement in the payments situation.

Nevertheless, horror stories abound. For instance, last month one British company had received nothing—though there was no dispute over its performance—since last June when it was paid one-tenth of what it was then owed. Three luckless Italian road contractors had also gone for nine months without any payment.

All ministries have been affected. With as much as half of project budgets taken up with what amount to current payments there was bound to be a slowdown as ministries reached their ceiling only half-way through the year. Communications, Agriculture and Water, Municipal and Rural Affairs, and—to a lesser extent—the Saudi Ports Authority are these which have gained the worst reputation for failing to meet their obligations. The Ministry of Defence and Civil Aviation and the National Guard, headed by the redoubtable Prince Sultan bin Abdel-Aziz and Prince Abdullah bin Abdel-Aziz, seem to have been deliberately stemming the flow of funds just to show an example.

Delays in payments and international exchange rate fluctuations, which have particularly hurt West German and Japanese contractors, have made contractors acutely conscious of the need for cover. Companies have also learnt that the consequences of a holiday can be dire. When King Khaled returned from heart surgery in mid-November, the three-day bank holiday precipitated a crisis in the Saudi Arabian Monetary Agency, which was unable to cover the commercial banks' demands for currency. All payments to contractors stopped. Although the dramatic rise in lending rates that resulted subsided by mid-December, the whole affair only served to confirm doubts of foreign banks about the excessive risks of contracting in Saudi Arabia.

The Government has reconfirmed that it will not allow any clauses in contracts allowing for neutral arbitration abroad and that disputes must come under the jurisdiction of the Grievance Board. In practice, the chances of the Government calling bonds—the 10 per cent performance and advanced payment guarantee—have been less of a worry in calculations because no call of bonds is known to have been made in recent years.

Main beneficiaries from the Government's failure to fulfil its payment obligations have been the commercial banks which have provided the finance required for continued operations. By any standards the interest rate of 7 per cent is modest enough but also sufficient to mean a substantial deficit for companies working under tight contracts—as most do.

For contractors in the service of the State the difference between profit and loss does not nowadays rest quite so much with detailed logistical planning and handsome allowance for contingencies as it used to in the days of port congestion and roaring inflation. Rather do they need the confidence of a friendly banker—and the best-laid plans for securing the right labour. For some time now companies working on the bigger contracts have been obliged to make arrangements for the import of manpower from approved countries of origin.

Nevertheless, the Kingdom used to rely heavily on illegal immigrant workers. The wholesale repatriation of tens of thousands of them has hit foreign and Saudi contractors hard—doubling the wage rates for unskilled labourers.

Panic

There was panic in the summer when Prince Naif bin Abdel-Aiz al Saud, the Minister of the Interior, announced that there would be a clamp-down on illegal immigrants. A large proportion of the unauthorised labour force went underground. Building workers became scarce and expensive. Daily wage rates in Jeddah leapt from about SR 35 to SR 85. Subsequently, the legalising of about 110,000 labourers, a continuing influx of permitted Yemenis and measures whereby workers could transfer to other jobs after the completion of projects brought daily rates down to SR 50 for regular workers and SR 65 for casual ones.

After the Hajj in January there followed another purge. Wages went up again by about 10 per cent across the board. In the first six weeks of the year no fewer than 38,000 lingering pilgrims were deported. The cost in chaos and brutality—and, to be fair, some Saudi anguish not unrelated to the profit motive—was great. But at least contractors now have a better idea of where they stand. Illegal immigrant labour seems now to amount to only a huddle of frightened men.

As recruitment bureaux are planned both in Saudi towns and abroad, the illegal element is likely to disappear out of sight. Because of this, and because for projects over SR 100m ($30m), contractors are required to import their own workers, countries with supplies of cheap and disciplined workers will continue to be favoured.

The only major change in contracting procedure—and not for the better—is that the original 20 per cent advance payments level, has become a maximum rather than the rule. At the same time the contracting process has become considerably more competitive. All but the largest contracts are fixed-price. Final awards, however, now bear little relation to original tenders. More and more Ministries now hold on to two or three of the lowest bid bonds—one per cent of the tender—and bargain for a reduction in price.

CONSTRUCTION CONTRACTS

JAMES BUCHAN

This in itself causes problems for contractors. One of the most experienced enterprises in the Kingdom, the Saudi—British joint venture Laing-Wimpey—Alireza, has found itself paying interest on a bid bond of the order of $50m for the new campus of Riyadh University.

Defence projects appeared to be unaffected even if payments are. Most notable there was the order worth the equivalent of $413m placed with Britain's Cable and Wireless for a sophisticated telecommunications system for the National Guard. Otherwise there was emphasis on schemes designed to give social benefit like the $344m TV station being set up by West Germany's Dyckerhoff and Widman, sports complexes in various towns being built under contracts by West German and Swedish concerns, a $211m hospital programme being implemented by the Italian concern Feal and $2bn worth of public housing being built by the South Koreans.

Quality of labour has been a crucial factor in South Korea's success story. Eighty per cent of the 30,000 to 40,000 Koreans in Saudi Arabia have done military service—they are recruited by the companies when they are discharged. Their industry and conscientiousness—and the pride they take in their project—are a continuous source of wonder to Saudis and foreigners.

Seoul, Korea's capital, has become so sophisticated about the whole business that the Korean Overseas Construction Corporation, which represents the whole industry, has now set up an office in London to look for European joint venture partners. With most of the basic infrastructure now in hand—with only big port and road contracts remaining to be awarded in quantity — the Koreans seem very happily placed.

Every major contracting country is represented in the Kingdom, where some Third World countries are cutting their Middle East export teeth. The Tower of Babel would have been a simple job to harmonise in comparison with rationalising the Saudi construction scene. In the award of contracts there is a very large political element since the rejection of "over-inflated" Western tenders two years ago. Now countries sometimes receive an order because their "political turn" has come round.

In competitive bidding—leaving aside the question of influential agents — what separates the contractors of each country is technology, access to finance and cheap disciplined labour. In the high technology areas, U.S. contractors still predominate followed by companies from West Europe. But while two years ago all the more sophisticated jobs might have been awarded to companies from the industrialised world, Korean, Pakistani and Indian—as well as Taiwanese—companies have shown themselves capable of carrying out electrification schemes.

They were solicited to undertake them by Dr. Ghazi al Gossaibi, Minister of Industry and Electricity, after he had angrily rejected bids submitted two years ago, accusing them of inflationary collusion.

In finance for bonding and operations, Far Eastern contractors also have a slight edge because of the close relations they enjoy with their governments. The Saudi banks too, which are almost exclusively occupied with import financing and short-term cover, have also been prodded by the Government into providing contract finance for South Korea and Taiwan.

The Government is pushing ahead, particularly at the industrial complexes, with an attempt to give greater opportunities to native Saudi construction groups.

With recent road and pipeline contracts confined to local companies, the Saudi construction industry is likely to grow into what is demanded of it. Most bankers and builders feel that foreign contractors not already established which try to enter the market outside the high technology areas are likely to face an uphill struggle.

Conflict of ideas

THE CAPITAL MARKET

JOHN TOWNSEND

PROGRESS IN Saudi Arabia towards establishing the institutions of a capital market is influenced by two attitudes which are often contradictory. The commercial instincts and innovative flair of Saudi businessmen can be outstanding, but these qualities are tempered, often to the point of inhibition, by a deep respect for the proscriptions of Islam.

Many Saudis have accumulated considerable wealth, earned by dealing and by deploying their innate business skills. Much of this money is then left in demand deposits in the kingdom. Whereas other businessmen would seek to place their money, either domestically or internationally, in such a way that their personal security/earning preference was optimised, many Saudis, mindful of the Koranic rules against interest, simply deposit their money somewhere, generally but not necessarily always, in a bank. Bankers estimated that probably more than 50 per cent of private sector liquid capital is held in the form of demand deposits which earn no interest.

Although such attitudes clearly inhibit the creation of a capital market based on European or North American patterns, there is a small but vigorous market in bank shares in Saudi Arabia. When the process of Saudi-isation permitted Saudi citizens to acquire part of the equity of the foreign banks operating in the Kingdom, the Government made an effort to ensure that as many people as possible could acquire shares by rationing their sale. Inevitably, this encouraged purchases by nominees. Now there is a thriving unofficial secondary market in the *suqs* (bazaars) of Riyadh and Jeddah. Knowledgeable and well-informed bankers have little difficulty in finding out the buying and selling rates for the various bank shares.

The contradictions are even more apparent when the question of the internationalisation of the Saudi riyal is considered. The Saudi Arabian Monetary Agency (SAMA) and the Saudi Arabian Government, can marshal wholly reasonable arguments against letting the Saudi riyal become a genuine international currency. The exchange rate risks are too great for a country whose financial institutions are in an early stage of development, and the task of managing the U.S. dollar, or the pound sterling, for example, is seen by the Saudis as at times being even too much for the monetary authorities of the countries concerned. In a country where caution is a watchword, few would argue with SAMA's conservative attitude.

Opportunity

Yet the Saudis themselves have created an international market for the Saudi riyal by insisting that all international contracts in Saudi Arabia be denominated in Saudi riyals. Initially, this gave the Bahrain offshore banks an almost literally golden opportunity to cash in on the situation, and more than one international banker in Bahrain has been heard expressing a certain wry gratitude to SAMA for creating a situation which the Bahrain-based OBU's have found highly profitable. The market could *only* exist, of course, for as long as SAMA was prepared to make the Saudi riyals available.

Bahrain *suq* gossip suggested that SAMA was not altogether happy with the monster on its doorstep, in spite of the fact that its own policies were in no small way responsible for the situation. Bahrain bankers were heard to mutter that "the Saudis are going to do something about it."

The Saudi business flair asserted itself in the SAMA reaction, which was to permit the Riyad Bank to set up a joint venture OBU in Bahrain with Credit Lyonnais, to be known as the Gulf Riyad Bank, the Riyad Bank having 60 per cent of the equity and Credit Lyonnais 40 per cent. SAMA itself has a 38 per cent share in the Riyad Bank.

This OBU, established in the first half of 1978 with an $8m capital and a subordinated loan of SR 85m ($25m), had an extremely profitable first six months. The second wholly-owned Saudi bank, the National Commercial Bank, has been given permission by SAMA to open its own OBU in Bahrain and expects to start trading in May of this year.

SAMA's other reaction to the Bahrain offshore market in Saudi riyals was to make it easier for foreign contractors to borrow Saudi riyals in the Kingdom through the commercial banks, and currently an approved borrower can get his Saudi riyals cheaper in Riyadh than in Bahrain. A foreign borrower has to convince SAMA that the proposed loan is wholly for use within Saudi Arabia and guarantee that there will be no arbitrage.

This trend corresponds with a move by the commercial banks in the Kingdom towards term lending for specific projects. Medium and longer term lending can, to a certain extent, suggest competition between the commercial banks and the various Saudi facilities—for example, the Saudi Industrial Development Fund, the Saudi Arabian Agricultural Bank or the Saudi Credit Bank. This competition is more imagined than real, though some commercial bankers would argue that, whereas the commercial banks employ only banking criteria in the assessment of a credit risk, the various funds might be open to political pressures.

The Saudi Credit Bank and the Agricultural Bank are so specialised (the former being a Government fund providing interest-free loans for specified purposes to lower income groups), that they cannot be said to compete with the commercial banks. As far as the Saudi Industrial Development Fund (SIDF) is concerned, its management is determined that only the highest professional standards are employed in assessing loan applications for one sector which is strictly defined in its statutes. In any case, the SIDF itself does not finance a project completely.

It is normally prepared to consider financing up to 50 per cent of a project's capital requirements, including initial working capital, for the first one or two years of a project. Its loans are interest free, but carry a two per cent annual administration charge.

Naturally a Saudi entrepreneur having the imprimatur of SIDF on his industrial project is unlikely to have any great difficulty getting his additional credit requirements from a commercial bank in the Kingdom.

SAMA has been less enthusiastic about encouraging foreign SR bond issues. Its rules seem to be that any such issue has to be to an Arab government or State-sponsored organisation—to be co-managed by at least one Saudi bank. At least 50 per cent of the sum provided must come from Saudi banks.

An element in the evolving capital market in Saudi Arabia has been the syndication of performance bond and advance payment guarantees for international contractors bidding for contracts in the Kingdom. These guarantees can add up to as much as 25 per cent of a contract price and put an excessive strain on an individual contractor's (and his bank's) capital resources and liquidity. Citibank in Saudi Arabia was a pioneer in contract finance guarantee syndication, and the practice has been copied by other banks.

In formulating its longer term strategy for establishing financial institutions, SAMA in 1974 decided to establish two merchant banks, one to operate internationally and the other nationally. The international merchant bank is the Saudi International Bank (SIB), which opened its head office in London in 1975, and which has just completed its second full year's operations.

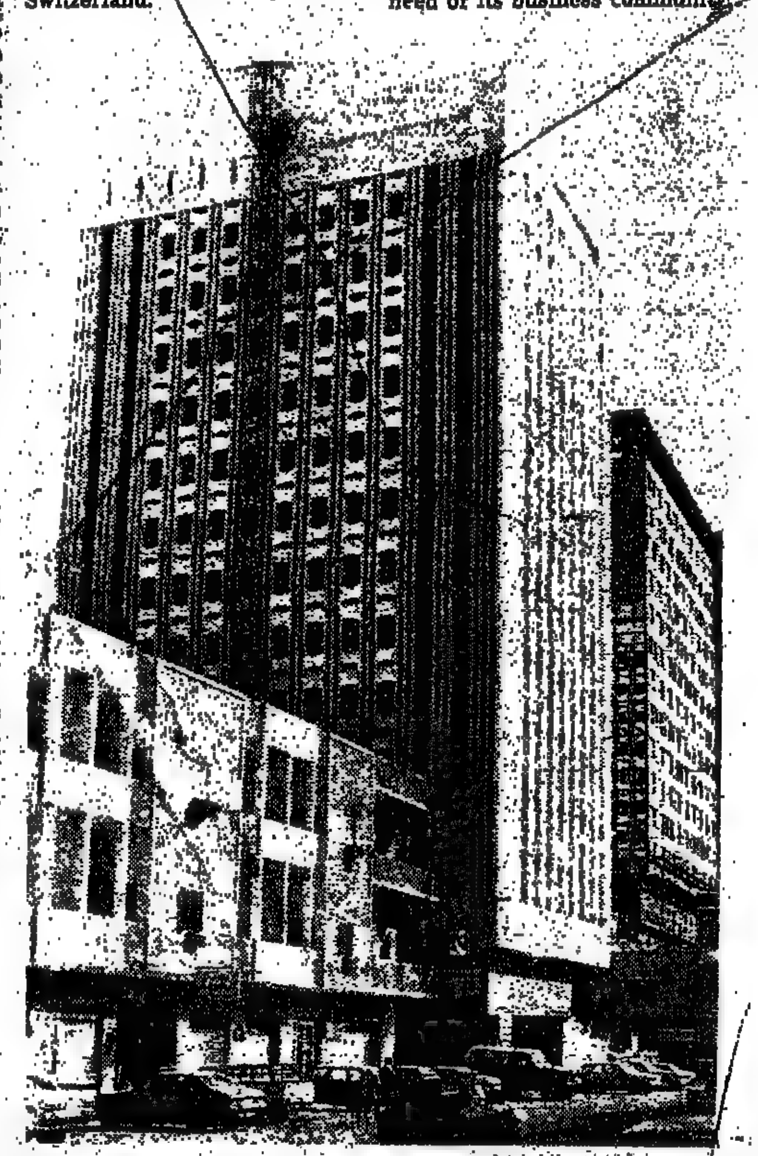
SIB is owned 55 per cent by Saudi interests (SAMA 50 per cent, The National Commercial Bank 2.5 per cent and the Riyad Bank 2.5 per cent), and the balance by six foreign banks. Morgan Guaranty Trust has 20 per cent of the equity, and provides the management of SIB; the other foreign banks, each with 5 per cent, are the Bank of Tokyo, the Banque Nationale de Paris, Deutsche Bank, the National Westminster Bank, and the Union Bank of Switzerland.

The domestic merchant bank is the Saudi Investment Banking Corporation (SIBC), which opened in 1976. SIBC has a 65 per cent Saudi stake in its equity (the Saudi General Organisation for Social Insurance, the Riyad Bank and The National Commercial Bank each with 8 per cent, the Bank Al-Jazira with 5 per cent, and the remaining 36 per cent with the Saudi public), and a 35 per cent foreign stake. Chase Manhattan, which provides the management, has 20 per cent, and the Industrial Bank of Japan, Commerzbank and J. Henry Schroder Wagg each 5 per cent.

Institutional difficulties (it needed a Royal Decree to permit it to start operations) impeded the start of the SIBC, but it is now operating very successfully as a wholesale commercial bank. It was originally intended that SIBC would be the catalyst for the establishment of other Saudi domestic financial institutions—for example, a stock exchange. Progress on this front is slow.

Develop

Like all things Saudi, domestic capital markets will develop at the speed that and in the way that the Saudi business community wishes, given this community's priorities. Foreigners may deplore the gaps in Saudi financial institutions and money management philosophies, but there is little point in any country setting up, as an act of deliberate policy, financial institutions which lie outside the perception and the need of its business community.



The Riyadh Bank office in Jeddah

Orderly expansion

BANKING

JOHN TOWNSEND

JUDGMENTS of the Saudi Arabian banking sector are legion, ranging from those of the foreign businessman in a hurry trying to cash a traveller's cheque in Riyadh to those of the scholar who points out that less than half a generation ago for all practical purposes there was no banking sector in Saudi Arabia. All such judgments need to be tempered with an understanding of the objectives of the government of the Kingdom and specifically the objectives of the Saudi Arabian Monetary Agency (SAMA).

It is probable that SAMA would be happiest in a situation where the Kingdom was not in the international limelight and was being allowed by the international banking and business community to develop its own financial institutions in its own way and in its own time. Then banking development could proceed, in an unhurried manner, without any great risk of causing offence to local public opinion by introducing practices which might be deemed contrary to the precepts of Islam.

But the Kingdom's enormous oil wealth and reserves of crude oil have thrust it into the centre of the world's stage. Its monetary authorities are judged by international standards as they take their place this year in the management of the International Monetary Fund.

Saudi Arabia aspires to leadership of the Arab world and of the wider Islamic community; both aspirations are challenged, the first by radical political movements, and now even the second by events in Iran and the example of Libya. It is therefore not at all surprising that SAMA, trying to keep in step with the Kingdom's political leadership and ever mindful of the sensitivity of Saudi public opinion towards many of the practices of modern banking, is seen by foreign bankers as being ultra-conservative and often over-cautious.

SAMA's major domestic objective has been to be seen to have full control of the local commercial banking sector. Although foreign bankers argued that the Kingdom's banking laws and regulations, firmly and professionally managed, would give the Agency all the control it needed, local opinion held that a foreign majority shareholding in banks operating in the country was incompatible with full control.

The result was the process of Saudi-isation under which the major foreign banks sold a majority shareholding (generally 60 per cent) in their Saudi operations to local interests, acquired in so doing Saudi Boards of directors for their local operations, and were given long-term management contracts. Citibank and the Arab bank held out longest, the latter on the grounds that as an Arab bank it could not be classed as a foreign bank.

SAMA has argued that this process of acquiring a majority shareholding (and in some cases full ownership) of foreign banks in the Kingdom is permitting, and will continue to permit, an orderly expansion of the domestic banking sector.

The capital of the major erstwhile foreign banks, now the Al-bank Al-Saudi Al-Fransi, Al-Bank Al-Saudi Al-Hollandi and The Saudi British Bank, has been greatly expanded as a result of Saudi-isation and it is likely that each of these three banks will also greatly increase the number of branches it has in the Kingdom. A larger lending base and a greater number of outlets, coupled with the great professional competence of the foreign management of these banks, would suggest that each would see a significant upsurge in business and hence in profits.

This lure is attracting many other foreign banks to Saudi Arabia in the hope of setting up joint venture commercial banking operations. SAMA is known to be exercising its well-known caution in considering these applications. A recurrent SAMA nightmare seems to be any risk of a repetition in Saudi Arabia of the 1976-77 banking crisis in the UAE.

Foreign bankers argue that the Emirates' ambiguous political structure was a major cause of this crisis, and point out that there could be no repetition in the Kingdom. SAMA remains unconvinced.

A more practical argument against too many more foreign joint venture commercial banks in Saudi Arabia is that the supply of Saudi businessmen with sufficient capital and ability to sit on the boards of directors of new banks is not inexhaustible. Inevitably, the existing banks have tended to take the cream of the available talent, and available capital resources.

SAMA's caution is likely to ensure that domestic banking expansion takes place slowly and keeps pace with the demand for banking services. The enormous growth in the money supply which took place from 1974, coupled with a matching dramatic growth in that staple of Saudi banking, the demand deposit, is unlikely to be sustained. The next few years will probably be a time of consolidation, with a cautious expansion, and a move away from demand deposits as the Saudi bank using public grows in numbers and becomes more sophisticated.

A movement away from demand deposits means of course some understanding on the question of interest and a perception by the Saudi community at large that there is a difference between a commercial rate of interest as a charge for the use of money, and the groaning weight of usury which prompted the original Koranic prescription.

So far, domestic commercial banking in Saudi Arabia has meant an almost exclusive concentration on short-term finance. The community has no private sector exports, and by far the largest element in commercial banking business has been the finance of imports. Statistics need to be taken with the proverbial grain of salt, but it seems likely that, at the peak of the boom, the financing of imports made up as much as 60 per cent of domestic banking business. Construction and industrial development loans made up most of the balance.

Reluctance

One of the less serious criticisms levelled at the erstwhile foreign-owned banks in Saudi Arabia has been their apparent reluctance to employ Saudi nationals. This "reluctance" has been more apparent than real, for the simple reason that there have been very few educated Saudis who were prepared to accept the low status and comparatively low financial rewards of being a mere employee in a bank, especially a foreign bank.

It cannot be expected that Saudi-isation will make a big difference. Saudis are not natural employees. Their instinct is to be in business on one's own account (witness those keen businessmen, the taxi drivers of Riyadh or Jeddah).

SAMA's move from Jeddah to its splendid new headquarters in Riyadh brings the Agency into the same city, and indeed, into the same street, as the various Government Ministries. As such, it might be said to underline the fundamental unity of all Saudi Government Ministries and agencies, and hence possibly to ensure an even greater caution.

Saudis often have an understandable reluctance to adopt Western ways which are alien to their own culture and the needs of their society. Western bankers may argue, with impeccable professional logic, that interest-bearing deposits and cheque books are as much a part of modern business life as the jet engine is part of modern travel. To this the Saudis reply, with their characteristic concern about preserving the values of their society, that they will develop their own banking methods to suit themselves, in their own way and in their own time.

The National Commercial Bank building in Riyadh

SAUDI ARABIA XVIII

A terminal building at Jeddah Airport.

Record of success

SAUDIA

JOHN CLOSE

ITS 13-STOREY executive headquarters no longer dominates the skyline of Jeddah, but Saudia, the Government-owned airline stands out as a bastion of success. Although affected by the perennial shortage of manpower, lack of indigenous technological experience, and enforced inability to satisfy thirst for alcohol, Saudia has expanded 30-fold since is started in 1945.

Sheikh Kamil Sindi, the director-general, says the management contract with Trans World Airlines, which has nutured Saudia since it began operations, will soon be scaled down to the level of technical services. "This will be the most important achievement in the history of the airline," Sheikh Kamil says.

Like so many other aspects of Saudi Arabia's relationship with the U.S.—for example, the oil industry—Saudia's link with TWA goes back to the Presidency of Franklin Roosevelt. King Abdul Aziz was given a DC-3 Dakota, along with one of FDR's wheelchairs, to mark their meeting in 1944 on the Great Bitter Lake. The DC-3 with its American crew became the first of the national airline's fleet. In early April of this year Saudia added its 10th Lockheed L-1011 TriStar and when final agreement on a new TWA contract is announced Saudia will officially stand on its own.

"All decision-making and management posts have long since been Saudised," Sheikh Kamil says. In the executive building briefcase - wielding Saudis flow through the halls. Down the street, on the site of what was once an enclave of American TWA employees, where guards refused to admit Saudis on film nights, Saudia's flight training centre and computer reservations system now stand.

Most employees, and all the remaining 800 Americans, have started moving into Saudi City, a section of a massive and rather spartan housing project built by Sheikh Muhammad Al Amoudi, a former banker and now a real estate entrepreneur, over a vast area that was once all salt flats. Twelve hundred Saudia staff are already in residence.

When Phase 2 begins, about 100 villas will be occupied every month until the transfer is complete according to Deputy Director General for Administration Mr. Muhammad Banaja. The move has aroused the ire of many Americans, of whom several, like their Aramco counterparts, have lived in the country for over 20 years.

Saudia has a total staff of 13,192. Fifty two per cent, or 6,871, are Saudis. The Public Affairs Office of the airline estimates that over the next four years the number will reach 30,000.

Shortage

Sheikh Kamil acknowledges that there is a serious shortage of service personnel. "We still have problems with local labour, finding qualified counter agents and the like. We are fighting the battle of keeping the employees that we already have, but not always successfully, and at the same time trying to fill vacant positions." Saudis are filling the executive offices and the cockpits but flight mechanics and ground staff will, it is openly conceded, be expatriates for the foreseeable future.

The head of flight training, Captain M. A. Abu Eshey, says that of the 419 cockpit personnel, 199 are Saudis. Training began 30 years ago but "to get a fully qualified pilot you need time because you're buying experience which has to be lived in the air."

Saudia's centre in Jeddah does basic training for the 737 and the 707 cockpit crews. In May of 1980 a L-1011 simulator will be added to its facilities. All students complete their training in the U.S. and return with a Federal Aviation Authority pilot's licence.

The need for qualified flight crew can only intensify, as Saudia's statistics continue to reveal phenomenal growth. Rated the fastest growing member of IATA in 1976 and the largest carrier in the Middle East, Saudia carried 6.538m passengers in 1978 compared with 4.7m in 1977. In January and February of 1979, according to Public Affairs, over 1m people flew Saudia. The airline's capacity in 1978 (denoted in tonne-kilometres) rose 36.6 per cent over the 1977 figure to reach 1.51bn.

Although it no longer throbs as it did when the Kingdom's ports were clogged, Saudi is still a major artery for supplying the construction programme. For the past six months a Boeing 747 has arrived every week at Jeddah, Dammam or Riyadh, bringing an infusion of between 125 and 150 tonnes of material each trip for the $3bn telephone expansion project.

Predictably less than imports, outward cargo was nevertheless worth SR18m in 1978 and is expected to reach SR20m this year. Over 2,700 tonnes a month leaves the country aboard Saudia planes, 35 per cent of it consumer goods sent home by expatriates working in the Kingdom. Douglas DC-8s made 40 trips to Khartoum alone last year, laden with electric fans, spare auto parts and televisions. Saudi now has 10 Lockheed TriStars, three Boeing 747s (all leased), eight B-707s, 19 B-737s, two B-720s, one B-727, two F-27s, for cargo, three DC-8s and another B-747, and 10 executive jets.

The three 747 passenger planes are on a wet lease from Middle East Airlines, an arrangement under which MEA operates the planes on behalf of Saudia. This has been a boon to Lebanon's national airline which has managed, through similar mechanisms, to skirt the obvious economic pitfalls of a country at civil war. "It is our policy to help Arab countries when they are facing a crisis," the Deputy Director-General for operations, Captain Ahmad Mattar says.

The contract also works in the Kingdom's favour, particularly during the annual pilgrimage and when Saudia flies home as many as 60,000 Egyptian teachers twice yearly. "We are short of technical manpower so we try to avoid diversification because of the safety factor," Captain Mattar says.

Saudia flies to over 44 airports and recently began a non-stop Dhahran-New York run under a reciprocal agreement with Pan American, the only contract of its kind. Far East and independent trans-atlantic services remain in the distant future.

Domestic airfares were pruned by 25 per cent in 1975. While this caused a burdensome surge in passenger rates and a corresponding drop in revenue, it did succeed in bringing air travel within the grasp of every citizen.

Growing

Before the royal decree Saudia predicted a SR661m profit in 1975 after two years of steadily growing revenue. In 1976 it operated at a loss of SR122.3m. The Government, through the Public Investment Fund, picks up the bill. In 1978, according to Sheikh Kamil, the deficit amounted to SR100m.

Prince Sultan Bin Abdel-Aziz, Minister of Defence and Aviation and chairman of the Board of Saudia, announced on April 6 plans to establish a "separate" domestic airline, although still under the jurisdiction of Saudia. This will probably mean a hiving off of the non-profit-making public service from the more conventional international programme.

The newest domestic airport, apart from the airstrip in Aqiq rolled out for Crown Prince Fahd's triumphal tour of the south to open the Taif-Jizan road, is Bisha in the Asir. "The traffic does not justify it on a purely economic basis," Sheikh Kamil says, "but regardless of the profit and loss factor this service has to be rendered."

Just one more in the crowd at a foreign airport, a Saudia aircraft is often cheered and applauded when it lands in the Kingdom's back of beyond. Like a weekly boat in Canada's Thousand Islands, it is sometimes the only link with the outside world. In a country of three major cities and a handful of towns and small villages lost in a vast empty territory, Saudia plays the essential role of holding it all together and because of the unwieldly distances involved will continue to do so even after a network of highways is complete.

Dockside cranes at the port of Jeddah.

A new efficiency

PORTS

TIMOTHY SISLEY

THE WRECK of the Asia has been sunk without a trace. Once one of the town's few tourist attractions, the upturned hull of the pilgrim ship that caught fire and overturned in 1931 with uncounted hundreds lost was taken out to deep water and despatched to the depths for ever. In a project last year supervised by the British consultants Sir William Halcrow and Partners, 20 abandoned wrecks that gave a ghostly air to the Kingdom's biggest shipping terminal have been removed. Somehow it seemed a symbolic way of crowning the great achievement of 1977 which saw the decongesting of the Kingdom's ports.

Last year saw considerable consolidation of that success under the energetic leadership of Dr. Fayez al Badr, head of the Saudi General Ports Authority, who has been appointed to the rank of Minister without Portfolio. Capacity has been expanded further, while efficiency in container operations, warehousing and handling has increased and moves have been made towards greater flexibility.

Mr. Fuad Mukhtar, Director-General of Jeddah Port, says that an even flow of goods is being maintained despite the lack of suitable vehicles to carry goods away from the docks and the limited road access to them. His claim is borne out by the expatriate representatives of shipping lines, who say that a consignee can often clear customs in a day if his papers are in order—though tighter checks recently have slowed the process up somewhat.

Questions are now being asked that no one would have dreamed of three or four years ago. One is whether the General Ports Authority will be instructed at the end of the second five year plan period in 1980 to pay for themselves. The second concerns the possibility of overcapacity. As far as berths are concerned, Mr. Mukhtar says that Jeddah only showed a little strain in the peak month of July last year, and at other times 20-40 per cent of facilities have been idle. He foresees the possibility of demand catching up with capacity—but that will depend on the requirement needed to fulfil the objectives of the third five-year plan.

The British management consultants Peat Marwick Mitchell last year predicted that Saudi Arabia would have 30 per cent surplus capacity by 1982. Clearly, if the Kingdom realises its ambitions of reducing reliance on imported food and materials, use of port facilities will be correspondingly reduced. But both that and the ebbing over the next few years of the construction flood in the major cities of the Kingdom could be offset by increased demand for imported consumer goods.

Shift

Any attempts at introducing profitability will mean a major shift of emphasis. Mr. Mukhtar points out that the ports are now run as a service to development, with competitiveness ruled out: transhipment, for example, is not allowed. A good deal of the SR 7.8bn allotted the General Ports Authority in the 1978-79 financial year is passed on to shippers. Jeddah pays SR 32 to its stevedoring contractors for each deadweight ton handled, but charges importer only SR 15, on top of which a 50 per cent rebate is offered for taking direct delivery, as a further incentive to efficiency. Reports in the Saudi Press that the authority has committed itself to being self-financing in five years may be premature.

Shipping lines would not, of course, welcome a decision to make ports self-financing which would increase costs. With vessels returning home empty, the traffic to the Kingdom tends to be a loss-making opportunity. Meanwhile, Dr. Badr has defiantly warned against any unilateral raising of freight rates to Saudi Arabia.

Importers, whether they be Saudi merchants or foreign contractors, appreciate the enhanced efficiency and are full of praise for the Kingdom's port operations.

There is now no waiting time and frequently a ship discharging at Jeddah's container terminals—managed by a consortium that groups Manchester Liners with Saudi companies—can leave port on the day that it arrived. Both they and Mr. Mukhtar are pleased with the integrated handling system. This was introduced in 1977 to replace the system of using different groups of workers that the Director-general of Dammam Port, Mr. Muhammad Suleiman Al-Muhanna, describes as "a nightmare." The gangs can move up to 5,000 tons and at least 1,000 tons a day from one ship. The handling contract given Philsinports of the Philippines for Jeddah was renewed in November.

Expansion continues. At Jeddah Sir William Halcrow and Partners is half-way through the final stages of work that will provide 45 berths by 1981, supervising the SR 3.71bn contract being carried out in a joint venture by Archirodon of Greece, the Skanska of Sweden and the Grands Travaux de Marseille International of France. Thirty berths are now in operation, three of them container terminals and two for bulk cement discharging. There has been a response from customers: with 10m tons handled in 1978, compared with 8.4m in 1971, there was an increase of 13 per cent in the proportion of goods coming in by container.

At the same time facilities have been expanded. Last year a cold storage unit and bulk grain terminal were opened, covered storage area, parking space and cattle sheds were expanded, and more mechanical handling equipment was acquired. In November a SR 671m contract was let to a consortium of Navelink SA of Switzerland and Saudi Tarmac, 46 per cent owned by the British-based Tarmac International, for a repair yard to take ships of up to 45,000 and 16,000 dwt. Intended to serve the Red Sea, Mr. Mukhtar sees it as being in no conflict with the Arab Ship Repair Yard in Bahrain.

Mr. Mukhtar predicts that next year will follow much the same pattern. Further encouragement will be given to efficient handling, with another container berth coming into operation, better refrigerated container facilities, standardisation of handling equipment, improved navigational aids and the construction of animal, fruit and vegetable handling terminals. At the same time unitisation and palletisation will be encouraged, and more customs staff trained.

Damman, Saudi Arabia's second port, has expanded and streamlined on a similar scale. With 28 berths completed by the end of 1978, what was a small fishing harbour five years ago handled 8m tons of cargo last year—an increase of 59 per cent over 1977. There, too, there has been increased specialisation, with two container terminals and facilities for bulk cement and grain discharge in operation. In March the French company Dumez was awarded a SR 350m contract for complementary works, including a sea wall.

With the expansion of the major ports go plans for consolidation with subsidiary and satellite ports, both to spread the load and to make available leased berths for the specialised operations that the crowded big cities cannot afford. In the Eastern Province, the old Al-Khobar fishing wharf is being adapted to take smaller vessels such as passenger and cargo dhows, relieving some of the pressure on Damman. Plans exist for building satellite ports on the Red Sea, possibly at Rabegh and Tuwal, but it is not foreseen that the need for them will arise this year.

Specialised

There are already smaller specialised ports. Ras Mishab on the Gulf is run by the Ministry of Defence and Aviation to supply materials for building the military city at Hafr Al-Baten. Two housing Ministry ports that each have a capacity of moving 2m dwt a year came into operation during 1978, at Qudayma on the Red Sea and Ras Al-Ghar on the Gulf, but they are limited by the vast distances on sometimes inadequate roads that materials have to be carried, and the traditional ports retain their popularity with private contractors.

Two further large port programmes are due to be completed within the next few months. At Jeddah the tanker terminal being built by Petrola under a $300m contract will be ready for operation by July, its tanker port and six ancillary docks taking crude shipped from Ras Tanura in the Gulf for the domestic refinery. In a few months Jizan should be complete, handling materials for development of the southern region above North Yemen. Although in 1978 its temporary facilities moved only 742,000 tons, less than either Jubail or the old port at Yanbu, Dumez with International Hydraulique Overseas of France as consultant, has built two 340 metre berths and sea walls and dredged the once-dangerous channel under a recently completed SR 417m contract.

The 15 and 16 berths of the commercial and industrial ports at Jubail, beside the fishing port, are due to be finished at the end of this year, at a cost estimated at some SR 9bn. The commercial port, for which an eventual capacity of about 5m tons is planned, is already handling cargo for the planned industrial complex.

For the industrial city at Yanbu, Jubail's smaller twin on the Red Sea, a jack-up steel barge pier was installed in November, able to take two ships of 72,000 dwt at one time. Last autumn a Washington company was let a $10m contract for the design and engineering of its permanent replacement, which should be taking 1.6m tons a year by 1984. It is not clear, however, if and how the economic sanctions against Egypt agreed at last month's Baghdad meeting will affect the planned crude terminal designed to export to the West through the SUMED pipeline.

Schemes take shape

RAILWAYS

JAMES BUCHAN

SLOWLY, INDISTINCTLY, like figures in a sandstorm, Saudi Arabia's schemes for rail transport are beginning to take shape and colour. A coast-to-coast line, spur lines to the industrial complexes and possibly Mecca, even the connection of the peninsula to the European and Asian rail systems, are all reaching the detailed study stage.

There is little to build on: four daily trains that plough a circuitous route across the shifting sand between Dammam and Riyadh. The decayed rolling stock in the Medina sheds or beached like dead whales beside the old Hejaz line, built by the Turks early in the century and destroyed by T. E. Lawrence, suggest only the futility of earlier efforts.

Overcrowded roads and the social need to link smaller settlements to centres have contributed to something of a rebirth of the railroad idea in Saudi Arabia. Mr. Faisal Shehail, who heads the Saudi Government Railroad Organisation (SGRO) in Dammam, predicted recently that rail travel would catch on in the country and that last year's volume of freight moved by rail — a mere 3,500 tons a day — would grow by a factor of 10.

He said: "It is still cheaper to ship freight via rail than by truck. With the volume and diversity of new industrial projects — particularly at Jubail and Yanbu—good *east-west* rail links are vital."

The organisation is semi-autonomous and even used to manage the ports before the expansion of the mid-1970s. But long-term railway planning is primarily the responsibility of the Ministry of Communications, which so far has concentrated on road construction.

More than 20,000 kilometres of road have been laid, chiefly in the past five years. At the same time, the Ministry has been looking at railroad expansion as an alternative—although with a caution that frustrates both the romantics and the army of consultants who see Saudi railways as the spur to a boom in rail construction in the Middle East and North Africa.

In the Middle East, rail projects are periodically announced and feasibility studies commissioned, but projects rarely get under way. However, this month in Amman, Sheikh Hussein Mansouri, the Saudi Communications Minister, is scheduled to sit down with his Syrian and Jordanian colleagues to proceed with one of the most ambitious projects of all—recommissioning of the old pilgrim railroad from Damascus to Medina. "All sides are now serious about going ahead with the project," the Jordanian Minister said last year.

The line was built at the beginning of the century to transplant Levantine pilgrims to the Holy Cities and to strengthen the shaky Ottoman dominion over the Hejaz. Opened with great fanfare in 1908, the line operated as a pilgrim railroad only until 1914. During the First World War it was used for transporting supplies to a Turkish garrison bottled up in Medina, although sabotage by Arab nationalists, helped by British gold and liaison officers, severely disrupted traffic.

After the war, the northern sections were brought back into service and they still carry freight between Damascus and Maan in southern Jordan.

The Hijazi section fell still further into disrepair until the early 1960s, when a German consultant was appointed to re-establish the line on the original railbed, using what track had survived T. E. Lawrence's sabotage and the periodic flash floods. Progress was unsatisfactory. In 1965, the British-led contractor went bankrupt and six months later the consultant pulled out. The 1967 Middle East war intervened, costs rose sharply and scarce funds were diverted to more pressing reconstruction. By 1971, all work had stopped.

Decision

This month's Amman meeting—of the Tripartite Commission for the Recommissioning of the Hejaz Railroad—is due to award a contract for a feasibility study for an entirely new line. The ministers will make a final selection from a shortlist of two U.S.-led consortia and a German one to carry out a three-part study, costing about $10m.

As with other rail plans in Saudi Arabia, there is little fixed idea of what is wanted. Syria and Jordan are reported to be inclining towards freight but Saudi Arabia, where the bulk of the track will be laid, is understood to be interested in high-speed passenger transport as well, although in Saudi conditions that may not be easy.

At the same time, the Royal Commission for Jubail and Yanbu has expressed interest in freight spurs from the Yanbu industrial complex to export petro-chemicals to Syria and Jordan—and even Europe—and for the eventual traffic of ore for mineral-based industries planned for the 1990s.

While this presumably would argue for a coastal line passing through the main centres of poulation and possibly linked to a proposed line from Maan to Aqaba, the line would be impossible to protect entirely from wash-outs. Road-builders in the Tihama and the original engineer of the Hejaz Railway, Meissner, realised this.

The other big problem is finance. Funds for the original scheme, £8,000 in gold, were secured with some difficulty from pious donations and an unpopular head tax on Ottoman subjects, and the Sultan's depleted treasury.

The figure estimated in Riyadh for the new line, which probably will take about eight years to build, is about $1bn. Saudi Arabia is understood to have offered to underwrite the whole cost, but both Syria and Jordan rejected this to retain some sovereignty over the project, which may have strategic applications.

The Syrian Minister said earlier this year that his country would seek an equal third share, although where it would find the finance is unclear. A division according to track length (100-150 km in Syria, 400-500 km in Jordan and 700-850 km in Saudi Arabia) or the formation of a construction and operation management fund are more likely to be accepted.

Simultaneously, the scheme to link Jeddah and Dammam is gradually taking shape, with independent design work being commissioned by both the Saudi railroad organisation and the Ministry. In October last year, Technital of Italy began work on final designs for a high-speed Dammam-Riyadh line while the Ministry was poised to contract Sofrerail, the French state railroad consultancy, to evaluate a complete line across the peninsula.

A spur line from Dammam to the Jubail industrial complex is the subject of a feasibility study by a UK joint venture, Atkins-Henderson, for the Royal Commission.

An SR240 "dry port" in Riyadh with customs clearance and warehousing is under construction for the SGRO to ease direct transport from Dammam port. It will be completed around the end of next year and linked to the new Riyadh Airport, 37 km away. A spur from Riyadh to Al-Kharj, 80 km to the south, is also planned.

Technital's study covers design work on a high-speed line from the oasis of Hofuf, near Dammam, to Riyadh and cutting about 100 km from the present winding journey. Preliminary studies were completed last July and the Greek contractor Archirodon will build the line.

Need for change

FISHING

DAVID TONGE

FISHING, ONE of the peninsula's oldest activities, has been little favoured by planners. But now the seas are being included in the net of Government attention. On January 1 the Saudi Cabinet approved the establishment of a National Fisheries Development Company. Two months later, looking to further horizons, the Saudis became the largest shareholder in a 13-nation Arab Company for Fisheries.

Other shareholders include both Palestine and Egypt — which raises some questions following the Sadat-Begin treaty. But the decision to base the new company in Jeddah is unlikely to be changed, even if the site itself is one where many of the problems faced by the Saudi fishing industry are writ large.

Fishing is still largely a traditional industry. In the Gulf the offshore catch has been developed in recent years, but in the Red Sea the long-fished coastal waters are the important ones, in particular those off the south-west of the country, between the coral reefs of the Farasan Bank and the dull red escarpment of the coast.

Jeddah itself is the centre of one of the main areas of fish consumption. However, its port serves the fishing fleet badly. There are inadequate landing facilities and a new fishing harbour is needed. The existing fish market leaves a great deal to be desired. It even lacks running water so that fish has to be cleaned in the waters of the port. Also required are an additional ice plant and a proper regional distribution depot.

Potential

That such factors have not discouraged consumers is an indication of the potential of the industry. In 1976, Saudi Arabian consumption of fish totalled 31,500 tonnes equivalent whole weight of fish: of this a half was fresh fish, 13,000 tonnes was canned fish and 2,500 tonnes frozen and processed fish. In the years immediately before this consumption had risen rapidly, as it had of meat and chicken too. Now most of the urban population seems to have an animal protein intake equivalent to that in the EEC countries.

Both present requirements and the needs liable to develop in the short term can be met from Saudi Arabian waters. The varieties of fish found include grunts and groupers, shrimps and snappers, king mackerel and emperor fish. But these are found in relatively low concentrations, and in the longer term the Saudis may have to look further afield. Moreover in the Gulf there is evidence of a decline in catches of shrimps, possibly due to overfishing and possibly due to a change in the life cycle of the shrimp—perhaps triggered off by a fall in temperature of the northern waters of the Gulf encouraging a migration southwards. (The question of a precise definition of territorial waters will have to be broached at some point.)

Beyond this there are other reasons for concern. The numerous construction works along the coast—of ports, desalination plants, barge terminals and land reclamation schemes—threaten to cut fish off from the shoal waters which have been their traditional spawning areas. The progressive erosion of breeding grounds is a problem that needs research.

In the Red Sea there are fewer problems. The coral reefs in the northern part of the coastal shelf and complex Farasan Banks in the south reduce the coastal areas which can be readily fished. Also there appear to be few fish in the deep waters further offshore.

CONTINUED ON NEXT PAGE

A small but powerful community

THE MERCHANTS

MICHAEL FIELD

IN THE mind of the semi-informed Westerner there are three important Saudi merchants—Adnan Khashoggi, Ghaith Pharaon and Akram Ojjeh. At any rate these men are taken as being the biggest and most famous of the Saudi businessmen—the people one sees on the covers of magazines billed as the emerging Arab Rockefellers.

The truth is that the Khashoggi-Pharaon-Ojjeh trio is untypical of the Arabian merchant class, and the publicity it has received has done much to distort the western image of Arabian businessmen. For a start the three are originally from Syria or Turkey, not of Saudi (let alone Nejdi) origin—which matters a lot to Saudis. A large part of their operations takes place outside the Kingdom—though they do have substantial, contracting, industrial and marketing companies within Saudi Arabia—and in the case of Adnan Khashoggi especially, his Triad company's assets are a lot smaller than the vast sums Westerners imagine. Some time ago a Khashoggi executive admitted in an interview that Triad had only one equity stake in the Arab world outside Saudi Arabia—this being an indirect holding in the Pyramids tourist development project, which was subsequently scrapped by the Egyptian Government.

A misleading impression of the size of Khashoggi, Pharaon and Ojjeh is given by the three men arranging huge deals—sometimes through companies created specifically for the purpose of a single transaction—which do not involve their actually committing capital. Inevitably there is also much more publicity when a project is conceived than there is when it subsequently falls through or sinks in the bureaucracy of another Arab country. In 1976, for instance, it was announced amid some publicity that Ghaith Pharaon was to invest in up to $1bn-worth of projects in Syria, but by 12 months later every one of the proposed investments had "dropped out of the picture," as the Syrian Economy Minister put it.

Publicity is something that Khashoggi, Pharaon and Ojjeh thrive on, which is not at all in keeping with the Saudi "style." And this trait would undoubtedly cause them to fall into serious disfavour with the establishment if it were not for the fact that the ruling hierarchy realises that some publicity is bound to stick to wealthy Saudi princes and businesmen come what may. So it might as well be Khashoggi, Pharaon and Ojjeh who receive it, the thinking goes. In other words they are useful as people on to whom unwelcome publicity can be deflected. Even so, Dr. Ghazi Gosaibi, the Minister of Industry Electricity, himself a member of a famous merchant family, has said that Ojjeh is not someone whose activities he welcomes in the Kingdom. Meanwhile, none of the Khashoggi-Pharaon-Ojjeh trio are names with whom other Saudi merchants are anxious to be associated.

Fortunes

The other Saudi merchants are largely domestically orientated — having built up their fortunes through land, import agencies, exchange dealing and contracting, together with modest investments in the Kingdom's early cement and electricity generating plants. This is not to say that these merchants do not have substantial overseas assets. Two of the biggest names—Ahmed Juffali and, even more, Sulaiman Olayan — have huge overseas investments, but their assets are of an inconspicuous portfolio investment type. Both merchants furthermore have been notable for the unusually heavy investments they have made in industrial and joint-venture service companies within the Kingdom. The Juffali brothers' company has been a leading investor in most of the Kingdom's electricity and cement companies and has now set up its own Mercedes truck assembly plant with Daimler Benz. Meanwhile Sulaiman Olayan has recently invested in the manufacture of plastic pipes, aluminium building frames and explosives (three of the most successful industrial plants yet established in the Kingdom), together with battery hen farming and bottled water production.

In fact it has been the more conventional elements of the merchants' business—importing, property and contracting—that have grown dramatically in the past five years. The biggest merchant enterprise in all Arabia now is E. A. Juffali and Brothers, probably the only merchant company with a turnover of more than $1bn, representing Daimler Benz (which must account for nearly 70 per cent of this turnover), Volkswagen, Massey Ferguson, Siemens, Sulzer, Brown Boveri, Clark Equipment, Michelin, part of Litton Industries, IBM and Borg Warner — among two or three dozen others.

Other merchant houses in Saudi Arabia with turnovers of $500m-plus might be Jumaih (representing General Motors in the Central Province), Jameel (Toyota), Sulaiman (Datsun), Ahmed Hamed Gosaibi (oil field equipment), Zahid (Caterpillar), and the Rajhi exchange dealing operation—though this last company's turnover by the very nature of its operations is not strictly comparable with the turnovers of the other groups. None the less the Rajhis are reckoned by many to be among the two or three richest families outside the ranks of al Saud.

Inevitably any categorisation of merchants by size of turnover is extremely vague. The merchants are very prone to exaggerating their turnovers—often including the full value of procurements on behalf of the Government when at no stage in the transaction have the items procured been part of the merchants' own stock. But what does emerge from any series of analyses/guesses is that the Saudi merchants are now very much bigger than their fellows in the Gulf states.

In the Gulf probably the only merchant enterprise approaching $500m turnover are the Alghanims in Kuwait, the Kunoos in Bahrain (though most of this family's income is generated in Saudi Arabia), the Futtaims in the United Arab Emirates and the Sultans in Oman and Kuwait — though again this last family is atypical in that most of its income is accounted for by a high-turnover international commodities trading business based in Kuwait.

In Saudi Arabia there would be a whole group of families in this sub-£500m league — including Hussein Alireza (Mazda), Bugshan (Komatsu), and Sulaiman Olayan (heavy equipment and consumer foods).

It is not just in size that the Saudi merchants differ from their compatriots in the Gulf; they have made their money out of a different type of agency. In Saudi Arabia, with its huge potential for infrastructural and (compared with the Gulf) industrial development, the big fortunes are in equipment agencies—of the Juffali type—whereas in the Gulf, with its higher per capita income, the money is more in consumer durables. In Saudi Arabia, for the same reasons, there is now a much greater emphasis than in the Gulf on diversification into manufacturing, service industry joint-ventures with Western partners, and specialised types of contracting.

In Saudi Arabia, the merchants lack political power. They may be much involved in government, but they have always been servants, executives of the monarch rather than powers in their own right, as are, say, the Alghanims or Alsagars in Kuwait. Today members of the Alireza family fill posts as Saudi Ambassador in Washington and minister at the Foreign Office, while until recently Mohammed, the head of the family, was Ambassador in Paris. In the previous generation, Mohammed's father, Abdullah, served as Governor of Jeddah (he had also filled this post under the Hashemites), and the family as a whole stood as powerful supporters of Saudi rule in the 1920s-1940s period, when the Hijaz was newly incorporated in the Saudi realm with Prince (later King) Faisal as viceroy.

Similarly members of the Gosaibi family are now Minister of Industry and Deputy-Governor of SAMA, the previous generation of that family having been King Abdel-Aziz's agents in Bahrain from about 1910 until the 1940s and important lenders, or providers of credit, to the King's ever-empty treasury. Both Alirezas and Gosaibis were regularly given diplomatic and financial assignments to carry out for the royal family abroad.

Best known of all the early royal servants was Abdullah Sulaiman, the King's minister for all financial and development matters, whose son, Abdel-Aziz, now has the Datsun agency and some of the Kingdom's best hotels. In broadly the same type of role were the fathers of Adnan Khashogyi and Ghaith Pharaon, both doctors and both members of the large Syrian element at the court of King Abdel-Aziz.

Services

Nor is it stretching a point too much to see Ahmed Juffali and his elder brothers, Ibrahim and Ali, fitting into this role as early royal executives. Ahmed obtained a concession from the King in the late 1940s to supply electric power to Taif, and soon after established other utilities companies in the Hijaz. It is true that these companies yielded profits for their promoters—after a time—but from the point of view of the King, 30 years ago the promoters were more than businessmen pursuing a business opportunity. They were providers of useful modern services for the Kingdom at a time when there was no central Government machine to do the job and when much of what is now the executive role of Government was farmed out to competent and trustworthy nationals outside the confines of the King's direct employees.

In all cases where the merchants were given assignments by their Monarch they carried out the work at their own expense and without payment, and most members of merchant families in important Government posts still work on this basis. They know that they will be rewarded by contracts and land—this being an entirely moral and orthodox way of rewarding a loyal servant in a society which retains its tribal mores.

What is interesting, and in contrast to the position in the Gulf, is that the merchant families do not marry into the Saudi ruling family, which marries either within itself and its collateral branches or into the leading families of the big tribes.

This is not to say that a lot of the big names in Saudi businesses do not have impeccable Nejdi origins. The Juffalis, Rajhis, Sulaimans, Bassams, Jumaihs and Sulaiman Olayan all come from around Onaizah in Qasim, while the Gosaibis come originally from a village further south. The big names of the Eastern Province — Matrood, Dosari, Fuad, Qatani, Naim, Moajil, Suhaimi (in addition to Olayan and Gosaibi) — are mostly of local origin, from the oases of Hasa or Qatif and the old ports of Jubail, Darin and Ujair. Some of the larger families have branches in Bahrain or have maintained dual homes, one on the island and one on the mainland.

In most cases the Eastern Province merchants have grown through providing services for Aramco, or in some cases were entirely put in business by Aramco. It has long been the company's policy to divest itself of service and manufacturing functions outside the oil business — ranging from heavy transport to Pepsi-Cola production — and to this end it has provided local entrepreneurs with technical help, undertakings to "baseload" new enterprises and, in certain cases, guarantees for loans.

In the Hijaz the big trading names are much longer established, though few are indigenous to the region. Apart from those of Nejdi origin, the Alirezas and Zahids were originally Persian, while Baeshen, Bassamah and Sharbatly, all commodities dealers, were originally Hadramauti — as was the big contracting family bin Laden.

Yet whatever their origins it is interesting that Jeddah merchants will say that to this day they have never allowed one of the established pre-oil members of their community to go bankrupt. While maintaining an almost disinterested approach to business on the surface, they will compete and intrigue furiously underneath — and be utterly ruthless in their dealings with the foreign intruder. In spite of the enormous sums of money involved, the business ethics of the Jeddah merchants remain those of a small, cohesive community trading in foodstuffs, timber and cloth.

Need for change

CONTINUED FROM PREVIOUS PAGE

But today the Red Sea annually provides about 10,000 tonnes of fish, compared with the 6,000 taken from the Gulf. Particular areas where increases in catches should be possible are the centre of the Gulf — where foreign fishing vessels have long operated, in particular those of the UK company Ross Foods—and the Outer Farasan Bank. A further possibility is to develop marine fish farming along the Red Sea coast—though it will take time to build up a high return from this.

Altogether over 3,000 fishermen find full-time employment in the sector, with 200 boats working in the Gulf and 1,200 in the Red Sea.

Although known to the world as Arab dhows, the type of boat used is called banush, sambuk or shu'way by the Saudis. About 10 metres in length, the boats have had diesel engines mounted in the last few years, usually of between 70 and 90 hp. The design of their wooden hulls has not, however, been changed, despite this switch from sail to power. They are thus somewhat dangerous, in that they were designed to sail with the wind behind or on beam but now will often go head to wind—which can lead to a tendency to nosedive.

Foreign advisers, such as the British White Fish Authority, have been encouraging change in this area. "When the locals have been fishing an area for over 2,000 years they are bound to know more than any outsider about the best techniques for those waters. In the short to medium term we can only assist them to do what they are already doing," one adviser says. But even within this limited aim there is much to be done. As far as vessels are concerned the Saudis are being encouraged to look at other designs of boats. Both in the Gulf and the Red Sea one British offshore vessel and one coastal vessel have been operating to try to encourage an improvement in vessel design.

Further, local fishermen are being encouraged to replace their present low-quality nets and to mount power haulers which would allow an individual boat to draw in up to ten times as many nets as presently possible.

While consumers show a marked preference for fresh fish, the distribution chain does little to ensure that fish remains in prime condition. Handling of fish on boats often leads to some spoilage. Most of the main fishing harbours need additional ice plants. The fish markets in the Eastern Province may be good, but those elsewhere need a dramatic upgrading. Finally, a radically improved inland distribution system is needed, in particular to Riyadh and to the construction camps in the north-west and south-east of the country.

Onshore the main problem has been to obtain a firm central commitment to the development of the industry. The recent establishment of national and Pan-Arab companies is an indication that this commitment is now being made and the importance of developing fishing, like other non-urban activities, is being increasingly appreciated.

Recommendations on many of the specific areas are included in the national plan formulated by the White Fish Authority under the agreement it has with the Ministry of Agriculture and Water. Should this plan be carried through a host of changes would ensue.

World ambitions

SPORT

JAMIE BUCHAN

SAUDI ARABIA'S showing in the Gulf Games soccer tournament this month would have been unthinkable four years ago and marks the Kingdom's debut on the international sporting stage.

The Games, which were shown on television and generated great interest among Saudis, marked the culmination of an unorthodox effort to build-up national soccer almost from scratch and underlines the colossal investment in sports construction since the foundation of the General Presidency for Youth Welfare in 1975.

But underneath the chauvinistic desire for successful national teams and obscured by the dizzying Olympic pretensions of the Youth Welfare Organisation's original plans, lurks a feeling that sport may be the sole permissible solution for the aimlessness and frustrations of young Saudis.

Dr. Ghazi al Gusaibi, Minister of Industry, wrote recently: "I was and still am appalled by the feeling that young people have nothing to do. I have a dread of their falling to the overwhelming tide of trashy vanities—stereos, videos and the like."

The paternal tone is reflected in the name Youth Welfare but the concept—familiar to us from centrally run States—is new and even daring for Saudi Arabia. The Koran, the country's official constitution, offers little field for interpretation over the question of organised sport. In the early days of King Feisal's reign sports clubs were made illegal for fear they might become nests of political association. These days the noise and colour of a soccer game in Riyadh still contrasts sharply with the dour atmosphere of the streets without. As some confusion still exists over the purpose of sport in Saudi Arabia, it is not surprising that Youth Welfare made errors of emphasis.

Back in 1975 a national sports project was declared a social priority and together with cultural activity generally placed under Prince Faisal bin Fahd (son of the Crown Prince) as chief of the General Presidency of Youth Welfare. But the project was conceived in terms too grandiose and too frantic to be realised. The vast Olympic Complex to be built in the palace area in Riyadh has been radically scaled down and the master plan has been revised. Recent contracts show that Youth Welfare is now concentrating on building facilities in smaller towns and even fairly isolated areas, where they are certain to play a notable social role.

Setback

At the same time the frenzied desire for international excellence — sharpened by the individual brilliance of a handful of performers—appeared to receive a sobering setback at the Asian Games in Bangkok in December, when Saudi Arabia came away without a single medal. The soccer team, the spearhead of the Saudi campaign to get itself on the world's sporting map, was knocked out in the first round.

There were, of course, complaints and a number of younger princes, who own the leading clubs, campaigned to have the team's British coaches thrown out. But Prince Faisal, who has acted high-handedly in the past, stood firm and the British remain.

The soccer project is in many ways unique. The vision of Prince Faisal has found response in the flair of Mr. Jimmy Hill, the British soccer commentator and sometime player himself. In 1976 Hill formed a company, the World Sports Academy, to improve the national team and to develop soccer among young Saudis with an eye to long-term success. The three-year contract, which is likely to be worth over £25m, expires in October although there is an option for renewal.

Although international success provides a crucial stimulus to domestic progress, the long-term future of soccer has been subordinated to the need for immediate results—and this pattern has been repeated in other sports, notably volleyball, where the Whittaker Corporation of the U.S. completed a rather unfortunate training project in the middle of last year.

In soccer Hill and his coaches have produced spectacular results in knitting individual talents into a team of almost European club standard. A draw against Liverpool in Jeddah last autumn and victories over Arab neighbours have led to higher expectations. But injury to a single player can demolish the team—exposing the total lack of depth in Saudi soccer. The national team can draw from an energetic league, but few even of these clubs can field a passable "B" side and the Under-19 national side is lagging behind.

The difficulties are of course daunting. There are no grass pitches in Saudi Arabia and as yet few laid with Astroturf. Very few schools have any sporting facilities at all and schoolchildren and even university students play soccer in the streets—at holiday time, Riyadh sometimes has the air of a Brazilian beach. Equally, there are no Saudi coaches of international standard.

There are other problems equally hard to surmount. The debilitating climate means that athletes in Saudi Arabia can never train as hard as is usual now in the U.S. or Europe. There are also ingrained habits of individualism and petulance that are proving difficult to break. Against this, there is real enthusiasm for sport.

The most obvious manifestation of this is in the shining new stadiums in the three major cities and the excited crowds who gather in the evenings during the October-April league season. In a country that four years ago allowed no public assembly other than in the mosque, the packed and often riotous stadiums indicate the extent of the change. A questionable refereeing decision is met with a hail of shoes and bottles and goals are greeted by parachute flares filched from the stores by young members of the National Guard.

In Saudi sport soccer predominates, but other games are receiving funds and attention. Volleyball, handball, long-distance cycling, athletics and bowling have become popular. There has also been some seepage of sporting interest from the expatriate communities. Tennis, particularly at the University of Petroleum and Minerals and *Kung-fu*, taught by a Taiwanese engineer at King Abdul Aziz University, have their devotees.

Racing also continues to be nurtured, profiting from the patronage of the King and Prince Abdullah. The pleasant racecourse in the Riyadh suburb of Malaz has been installed with electric starting gates and photo-finish equipment and some attempt is being made to protect the pure Arabian bloodstock from thoroughbred interference.

Meanwhile Youth Welfare's efforts to construct the sporting facilities necessary to support its ambitious plans continues apace despite recent budgetary restraint. The programme looks impressive—around SR 2bn in sports facilities in the towns of Hail, Hasa, Abha, Qatif, Jowf and Majmaa; youth hostels and SR 1bn sports "cities" in Jeddah, Riyadh and Dammam; youth camps in Jeddah, Dammam and the Asir; model clubs in 11 small towns; seaside recreation centres in Jeddah and the Eastern Province; stadiums in Buraidah, Mecca, Medina, Al-Khobar, Al-Ahsa and Jowf to relieve the heavily overloaded grounds in the three main cities; and the Riyadh Olympic Complex.

Although Youth Welfare has broken off its love affair with grandeur and size, there still remain considerable opportunities for foreign contractors. West German firms have done particularly well. Beton und Monierbau is building the SR 1bn sports hall and swimming pool "cities" in the three main centres, while Wayss und Freitag has nearly completed the scaled-down recreation centres on the Jeddah lagoon and Half Moon Bay—at a cost of around SwFr 120m each. Last month the Frankfurt group contracted to build SR 70m stadiums in Medina, Al-Khobar, Jowf and Mecca. British consultants, notably Cooper MacDonald and Partners for the stadiums and the smaller model clubs, are also providing designs and supervision work.

It was a British firm of architects, Ian Fraser, John Roberts and Partners that designed the most ambitious project of all in 1976—the vast Olympic stadium with its elegant cable-net roof and parabolic arch. The project has had its opponents from the beginning and though it went out to tender, prices from French, Canadian, Finnish and West German consortia were rejected as too high.

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The football stadium at Riyadh

Rediscovering ancient wealth

MINERALS

BRYN WILLIAMS

THE REMAINS of mines in western Saudi Arabia are evidence that the area was once an important producer of gold, copper, and silver for the ancient world.

Government policy is to encourage the re-establishment of a healthy minerals industry in Saudi Arabia, through a geological and mineral exploration programme by the Ministry of Petroleum and Mineral Resources, investment by the State organisation Petromin and by the encouragement of foreign mining companies.

The geological pattern of the Kingdom consists of an area of old Precambrian rocks occupying much of the western part of the Kingdom, and a sequence of Palaeozoic, Mesozoic and Canozoic strata in the larger eastern part.

The Precambrian area, termed the Arabian Shield, consists of volcanic and sedimentary rocks and predomiately acid igneous intrusives. The Arabian Shield is matched on the western side of the Red Sea by a similar Nubian Shield. The two Shields were joined until the middle of the Cenozoic era, about 30m years ago, since when they have been drifting apart, separated by a slowly widening Red Sea.

The ancient mines are located on the Arabian Shield, and on geological grounds the best mineral opportunities are likely to be associated with these older rocks. Therefore the Ministry of Petroleum and Mineral Resource started its programme of geological mapping on the Shield—an area about twice the size of the British Isles—and by 1983 will have completed reconnaissance mapping at a scale of 1:100,000 and the first series of approximately 250 map sheets.

During the course of mapping, more than 1,500 mineral occurrences were noted, and the data have been filed in the Ministry's computerised data bank, to which mining companies have access.

The Ministry has also embarked on a substantial programme of mineral exploration and has examined over 100 prospects and deposits. Concessions over several of these have been acquired by foreign mining companies under the Mining Code.

The Saudi Arabian Mining Code starts from the premise that all minerals are the property of the state, and that the granting of mineral rights is vested in the Government. Private sector exploration is safeguarded through the issue of exclusive licences, which guarantees the granting of a mining lease in the event of discovery. Foreign companies are required to enter into a joint-venture arrangement with a Saudi partner, and this has normally been an arrangement with Petromin to form a joint stock company on a 50:50 basis, with exploration costs of both partners being capitalised.

Despite the generally unencouraging climate for minerals until the last two or three months, two more foreign companies obtained exploration licences during the past year, bringing the total foreign participation to three American, one British, one French and one Swedish company.

The principal areas of mineralisation found so far are in belts of volcanic rocks, and deposits generally contain mainly copper or zinc, with subordinate amounts of the other and commonly some gold and silver. A Saudi-American partnership is about to embark on a programme of 3,500 metres of tunnelling to test one deposit of this type at Massene in the south-west of the Kingdom close to the Yemen border.

Some publicity has already been given to the interest of Consolidated Gold Fields in a gold deposit at Mahd adh Dhabab, about 250 km north-east of Jeddah, which has seen at least two periods of mining in the past. After two years of drilling and study, the company has now started to drive a decline shaft to explore underground and to obtain bulk samples for test.

The Swedish company, Granges, in partnership with Petromin, has been investigating phosphate deposits at West Thaniyat in the north of the Kingdom, and in their support, the Government has embarked on a major study of the transportation, water, harbour and community needs if mining should go ahead.

The largest single exploration project by the Government is at Sawawih, close to the northern end of the Red Sea, where a 300m ton iron ore deposit is being investigated as a possible source of feed for a national iron-and-steel industry. The ore contains 42 per cent iron, which is too low for the modern direct reduction process planned in Saudi Arabia. A major contract was awarded to British Steel Corporation in 1976 to investigate means of upgrading the ore and to carry out a full feasibility study on its mining and use. Some success in beneficiation has been achieved in collaboration with the Royal School of Mines, London, and the Warren Springs Laboratory, Stevenage. BSC is now engaged in verifying the tonnage and grade by geological mapping and drilling, and mining a 1,000-ton sample for testing at its Teesside facilities. The final feasibility report is expected in 1981.

Another major Government exploration project is that being undertaken by Riofinex, a subsidiary of Rio Tinto Zinc Corporation, on the phosphate potential of the Sirhan-Turayf basin, an area of approximately 50,000 sq km on the northern borders of the Kingdom.

The Ministry is paying particular attention to industrial minerals, with a view to self-sufficiency for local industries. A major programme to locate cement-making materials for new cement plants is nearing completion, and investigation has been started for sodium and potassium salts, high-grade limestone, and lightweight aggregates. The Shield contains a fine variety of ornamental stone, and to stimulate its use, the Ministry has opened model quarries to demonstrate the use of modern quarrying methods, and a model cutting and polishing plant in Jeddah as a shop-window to the building industry.

British companies are well represented in the mineral sector. In addition to those mentioned above, Robertson Research International, Hunting Geology and Geophysics, Mackay and Schnellmann Consultants, Field Aircraft Services, Fairey Surveys, Rockfall Drilling Company and Transmark (a subsidiary of British Rail) are among those which have and are taking part in exploration plans, along with organisations from the U.S., Canada, France and West Germany.

Ambitions

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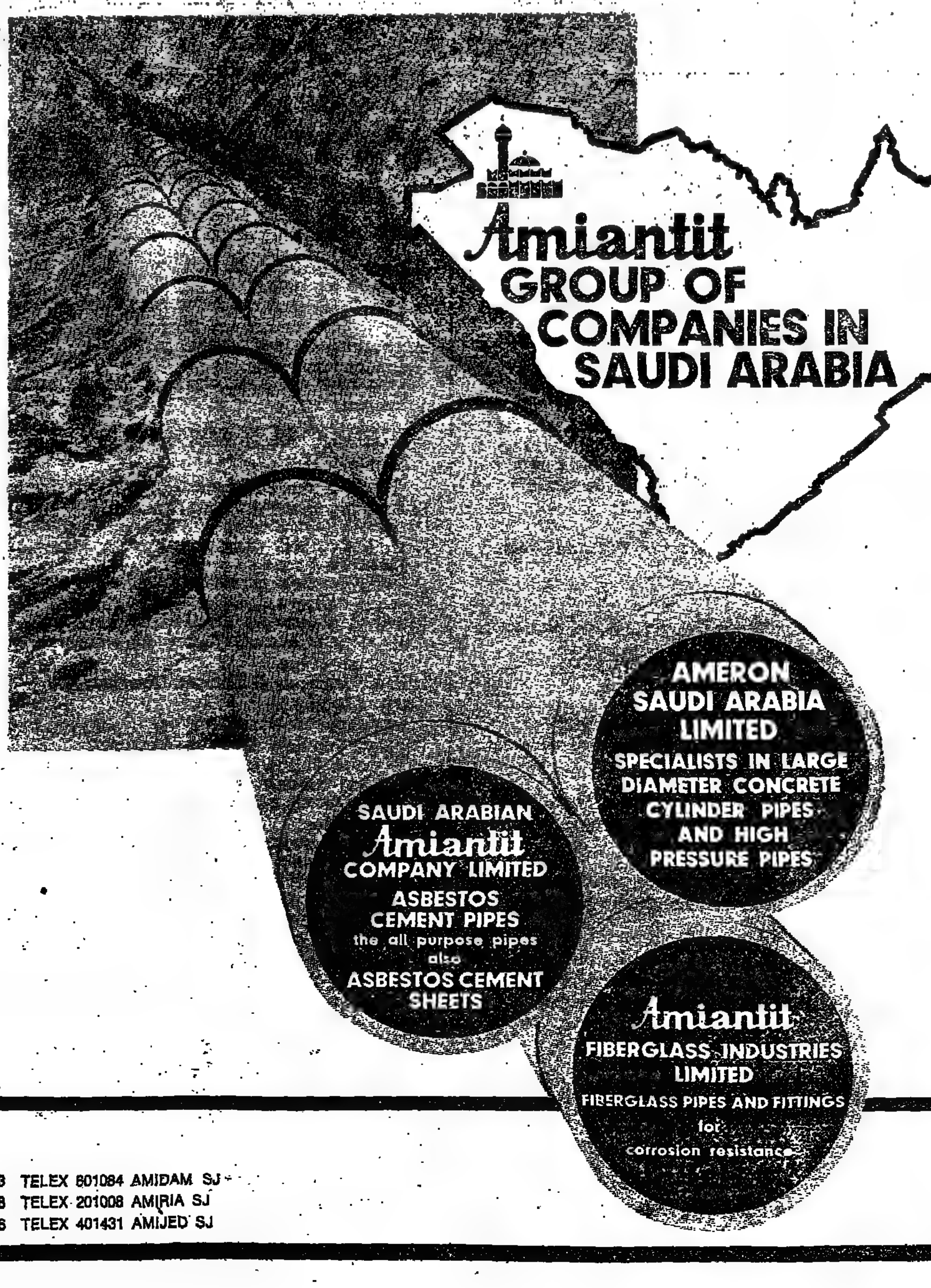
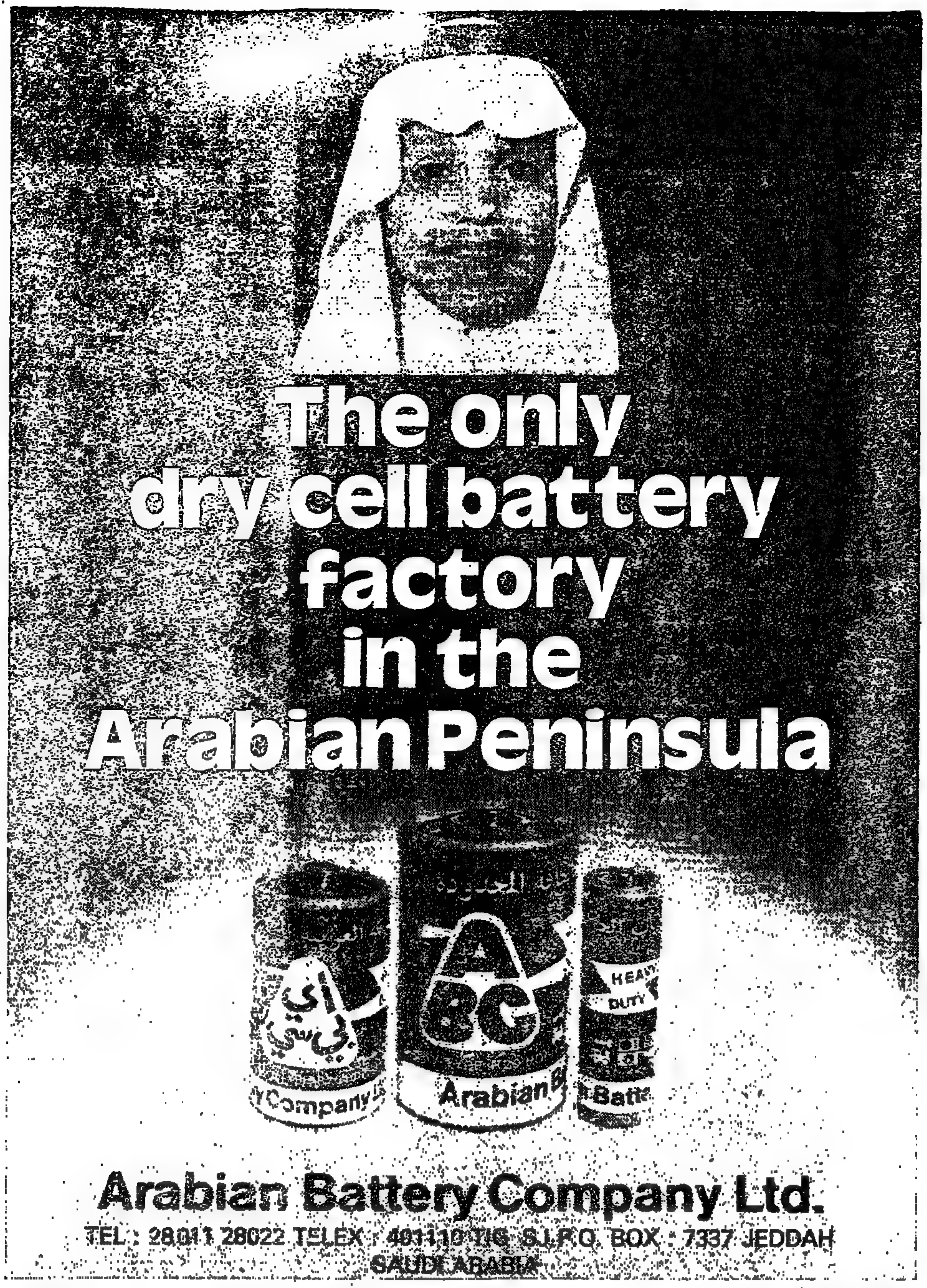
The project is the centrepiece of the Olympic Complex, originally planned by Weidleplan on a 1.6m square metre site of some of the most expensive land in the world. Another problem was that the parabola overlooks the Royal Palaces, while new plans for a future Government Centre have jeopardised the land use. Weidleplan is now submitting its master plan with a reduction of area to 1m square metres and the relocation of the stadium.

The original plan contains 10 other elements, none of which has been budgeted this year: a SR 33m administration block for which designs are complete; an Olympic Committee building; the sports "city" and SR 198m in infrastructure, substantially finished by Beton und Monierbau; an air-conditioned cycle track of considerable architectural interest; Weidleplan's sports training institute; a sports hospital, which has apparently been approved; a rifle range; an Olympic Village under design; a convention centre; and hotels and motels for officials and spectators.

This extensive project, which could not cost less than $1.5bn and would use over half of Riyadh's fickle electricity supply according to Prince Faisal, is in limbo. When the project was first announced in 1975 observers expressed doubt whether Saudi Arabia could ever stage the Olympics. Problems over women, Israeli and East European competitors would make the tortuous negotiations for the Los Angeles Olympics simple in comparison.

But Saudi officials argue privately that the kind of social change which would make the Olympics possible cannot be ruled out since there has been no clear instruction from the establishment. Even so, there must remain some doubt whether the stadium, at least, will ever be built in the present climate of financial stringency.





The heart of Islam

THE PILGRIMAGE

MICHAEL YORK

THE PILGRIMAGE—Hajj—is a duty binding on every Muslim of age who is able-bodied and has the means. It is the journey to Mecca, the heart of the Islamic world.

It involves the circumambulation of the Ka'aba: running between the hillocks of as-Safa and al-Marwah in memory of Hajar's search for water; standing on Arafat in the presence of God as on the Day of Judgment—an assembly that annuls distinctions of wealth, age, rank or race; stoning the symbols of the Devil, and sacrificing a beast in respect of Abraham's submission to the command of God to sacrifice his own son Ishmael.

In November 1978, the ritual was performed by 1.9m pilgrims. Its form was outlined by the Prophet Muhammed 14 centuries ago. As a ritual it has been known since the time of Abraham who rebuilt the Ka'aba in the barren valley where Adam is said to have walled in the symbol of God's enlightenment and God descended to Earth.

The Ka'aba today is a simple black cube of many granite blocks, beside which are buried Hajar and Ishmael, the slave wife and son of Abraham.

Seven miles east is the Plain of Arafat where Adam first met Eve, and Muhammed later delivered His Farewell Speech during His last Pilgrimage when He summed up the essential social regulations of Islam.

Constant

During the last Hajj of the Prophet in 632 AD, about 150,000 people followed Him. In 1853, 50,000 came on pilgrimage. By 1879, the number had again risen to 160,000. Except during times of war the number of pilgrims was relatively constant, despite the hardships of marauding bandits, hunger, thirst, illness, crippling taxes and inflated prices.

For centuries the Hajj has been organised by an establishment of traditional Meccan families called *mutawwifs* or guides. Each family guild is linked by marriage to its clients in Muslim communities from Indonesia to West Africa—a network of trade and power which controlled the Hajj in conjunction with the sheikhs who escorted caravans from centres of Islamic culture: Baghdad, Cairo and Damascus.

In 1924, when King Abdul Aziz ibn Saud conquered Mecca—part of his drive to unify Arabia under the flag of the Prophet in 1932—a treaty was signed by the Meccans with the bedouin forces of the King. The Meccan establishment preserved its prerogative over the Hajj—an agreement that still holds despite the national task of organising the vastly-inflated pilgrimage of nearly 2m today.

Political security after unification in 1932 brought the total number of pilgrims to a peak of a quarter of a million. While the second world war reduced the flow in 1941 to 80,000, with peace the influx of foreign pilgrims alone reached 250,000 by 1955 rising to 800,000 last year.

While arrivals by plane have increased 22-fold, those by sea have halved. This has resulted from rising living standards worldwide (Nigerians are today one of the largest foreign groups), the reduced cost of air travel, package tours, and sophisticated sales techniques.

But still the majority of pilgrims are from inside Saudi Arabia. Saudi pilgrims have increased by 2 per cent per year, while immigrant workers on pilgrimage have increased by an annual 18 per cent and together they outnumber those from abroad. So the overall dramatic increase in the number of pilgrims performing the Hajj is due to air travel and the Saudi need to import an immigrant workforce that seizes the chance to obey their duty to the Fifth Pillar of Islam.

The Hajj today is a story of government grappling to provide adequate services and facilities while also allowing the family guilds to retain control over the pilgrims. All overseas pilgrims have to register with one of the *mutawwif* families and also pay the £400 pilgrim tax to the Government.

While the establishment of Mecca thrives on the income from its pilgrims, the Government is spending £84.4m a year—considerably more than the income from pilgrim tax—on providing facilities.

The guilds now have a state-registered monopoly for accommodating and guiding the pilgrims. Lack of competition and the high rate of recent Saudi inflation have caused their prices to rocket. Yet Government is still responsible for the overall management of nearly 2m people trying to perform the same ritual at the same time in a temperature often higher than 100 degrees Fahrenheit.

Problems

The plain fact is that the "open door" policy, allowing Muslims to come from all nations, creates logistical problems which oil-money cannot solve: despite an expensive budget, piecemeal development is creating more problems than it is solving.

The Government now has 6,400 buses used for only six days a year and nine dual-carriageways link Mecca to the Plain of Arafat, turning this sacred area into one of the world's larger spaghetti junctions. A 1½-mile pedestrian tunnel between the marks of the Devil and the Holy Ka'aba is complete in a country where modern technology still has a fragile grip on the vagaries of nature and the abuse of mankind.

In 1934, the King allowed the ordinary pilgrim to perform the Hajj by car for the first time, abandoning the principle that pilgrimage should be a hard but rewarding experience—the time-honoured way with a natural rhythm in harmony with the spirit of the holy sanctuary. Today, Hajj is the world's largest traffic jam. Last year many people took nine hours to cover the .... miles from Mecca to Arafat.

By providing complex roads to cope with the increasing number of cars, more and more pilgrims are being encouraged to bring cars—the old problem of city centres in Europe. And the problem is being compounded: the masonry pillars of the Devil, where every pilgrim must throw 49 pebbles, now has an elaborate double-decker concrete walkway and the narrow valley has been blasted away to allow 200,000 people an hour to perform the rite.

But increasing the flow at this stage has increased the crowd at the Ka'aba. Last year only 25,000 an hour could perform their circumambulation. Now bulldozers are inside the sanctuary enlarging it to allow 28,000 pilgrims to circle around the focal point.

The pressure at the centre will increase and it will be even more difficult for the pilgrim to extract himself from the crush of the circumambulators, not to mention the 200,000 trying to get in each hour.

Before, pilgrimage was a hard journey to a relatively trouble-free and fulfilling religious event; today the journey is easier but the event more taxing, in spite of the valiant responses of the Ministry of Pilgrimage and Religious Endowments.

The problem is that the oil of modern technology does not mix easily with the water of time-honoured tradition. While many tears are shed in religious emotion as a lifetime's devotion is fulfilled, some are due to sprayed clouds of disinfectant.

The government is the first to realise the problems that must be faced, having dealt already with a minor outbreak of cholera, a landslide and a fire sweeping through the city of tents and parked cars. More than ever there is anxiety over computer predictions. If trends continue, there will be more than 3m pilgrims by 1991. This prediction takes into account that, as the pilgrimage moves forward 11 days each year with the lunar cycle, soon it will occur during the heat of the Arabian summer when the influx of pilgrims will decrease. But still these huge numbers will have to be catered for.

While many planners favour more complex and expensive technology, one indigenous research institute at King Abdul Aziz University, under its director Sami Angawi, has been quietly taking a scientific and abstract view of the movements and flow of the Hajj.

Keeping in mind the 6,000 utterances transmitted from the Prophet about the Hajj, its proposals provide a far-sighted solution. While every pilgrim could ride, they can no longer face the fumes and stifling heat of the cars and buses. So, today, all pilgrims cover half the mileage on foot, but very few routes are preserved for pedestrians only.

Paradoxically, when pedestrians leave their cars and drivers due to the traffic jams, the car still occupies the place of 40 pilgrims, thereby further aggravating the problem.

The proposal is to provide a partially-shaded central walkway, totally separated from the traffic, to encourage pedestrians. With cars in secure peripheral car parks, the central pedestrian shrine would be supported by a system of public bus shuttles.

A separate problem is that the fundamental simplicity of the rites is being eroded by the inevitable march of bureaucracy as it seeks to organise this remarkable human event. Now each foreign pilgrim must register with a *mutawwif* according to nationality and each *mutawwif* is allotted a specific location to house his pilgrims in the tent city of Arafat.

This means that one of the primary functions of the Hajj—the intermingling of Muslims from all over the world to exchange news and ideas—is being undermined by the shepherding of pilgrims into allotted national camps.

Interweaving

But still the Hajj remains a complex interweaving of politics and religion that can be achieved only in Islam, with its tradition of combining the secular and the sacred. Last November, for the first time, Muslims from Israel and the occupied territories were allowed to make their pilgrimage to Mecca.

This is in line with Saudi Arabia's policy of encouraging Islam on the West Bank by its funding of three new colleges of Sharia law at Hebron, Gaza and Jerusalem.

Also in November 1978, Yasir Arafat, the PLO leader, was chief guest-of-honour during the pilgrimage, when he made a speech about the need to recover Jerusalem—the third city of Islam—from which the Prophet ascended to Heaven.

Without question, the Hajj with all its gigantic logistical problems, remains a remarkable event. Each pilgrim follows in the footsteps of the prophet Muhammed, prays at the Most Ancient and Noble House of God, submits to the Will of God, stands as on the Day of Judgement and repudiates the Devil in a state of sanctified purity and communion with the One True God.

It is an experience which does not fail to pierce the heart of every Muslim whatever the physical conditions.

Pressures mount

SOCIAL TRENDS

JAMES BUCHAN

THE UPHEAVAL in Iran has inevitably led people to ask if the strength of Saudi Arabia's social fabric can withstand the pressures of rapid development and modernisation. The response has varied from private anxiety among officials to widespread complacence, even self-righteous indignation, among businessmen and newspaper commentators.

In the air-conditioned government departments in Riyadh, officials can convey a more or less clear picture of the future course of the Kingdom's economy. The social implications of the extremely ambitious programme to construct an industrial foundation receive little airing. When asked last year what economic role he envisaged for women in the future, a Saudi Deputy Minister indicated that civil servants, particularly in the Ministries of Planning and Health, were marking time on the question. Though he did not say as much, it is clear they must wait for direction from above—that is, the consensus reached in the Royal Family after the views of the technocrats and public at large have filtered through to it.

In this silence, a variety of problems, apart from the status of women, are discussed. Friends of Saudia Arabia are prodigal with advice but few can come up with acceptible proposals for their solution. Not the least of the problems is the need to instill a work ethic and a sense of responsibility to the State among the young and to teach them habits of intellectual curiosity rather than passive acceptance of technology.

Habits

In practice, the immediate preoccupations are how to protect Saudi identity from the creeping influence of over a million immigrants and their ways, how to bridge the widening generation gap and how to find a useful and acceptable role for women. What may be at stake is nothing less than the political and cultural disintegration of a country, united only this century, a hotchpotch of a large Royal Family and its clients, nomads and farmers, sophisticated town dwellers and Arab exiles whose main common bond is religion and language.

Ironically, present ingrained social habits militate against any radical accommodation with the future. Traditions of contempt between Nejdis and Hijazis and between Saudis and non-Saudi Arabs, perpetuate regional differences.

Dislike for manual labour makes long-term planning for industry a nightmare. Deep habits of individualism and privacy undermine government and bureaucracy while a tradition of unquestioning respect for elders and teachers, the written word and borrowed technology has prevented any real discussion or awareness of the problems. This last is compounded by a truly amazing capacity for euphemism and a hypersensitivity to criticism from other Moslem countries and the West.

Conservatives in the Royal Family and society wield all the big guns of sentiment, legalism and the status quo. Thus, the trend in Government policy has been to exercise ever tighter control of those formal areas largely of its own making—women's education and television, for example—while attempting to trim obvious social abuses outside them.

The establishments efforts in the latter respect concentrate on public conduct—what goes on in hotel swimming pools and streets. All this might be considered irrelevant but for the immense importance attached to public behaviour by intuitive Saudi bourgeois.

Meanwhile, public works have gone ahead in the Second Five-Year Plan that presume a level of social development that has not in fact been reached. The most blatant of these is in Riyadh at the "Olympic Complex," where the Games clearly could not be held if women were excluded—as they would be for the indefinite future. In Jeddah there is a theatre run by the Education Ministry which is now used but once a year when Queen Iffat presides over a strictly female gathering for the graduation of girls from a fashionable high school.

Those prestige projects were based on imported ideas. The danger just becoming evident onw is that Saudis may not feel at home in their borrowed physical world — planned, built and, except at the highest levels of government and business, managed by foreigners. At the same time, because of the extreme caution in policy, attempts to restate traditional ideals have taken the form of petty regulations that may eventually only create contempt for the Government or the ulema, or priesthood, among young Saudis.

Against his, Saudis will argue first and foremost that Islam, the youngest of the major monotheisms, still possesses flexibility and vigour to respond to a changing world. It is neither anti-intellectual nor anti-scientific, impressions gained by the West during the stagnation of the 18th and 19th centuries. The dangers of an affluent society, the sheer corruption of possessing much where nothing before was possessed, produce no corresponding guilt. Unlike Christianity, Islam even of the strict W ite variety, makes little or no virtue of ascetism.

Materialism

Secondly, the Government has acted with considerable energy in the least problematical areas. To tackle the dangerous aimlessness of young Saudi men, it has launched a lavish sporting programme to balance the crass materialism of fast motor cars and stereos. It has spent large amounts of money on making the Kingdom—surely one of the most uncomfortable places in the world—into a greener and more pleasant land.

The Government used a mixture of temptation and coercion to keep Saudis at home in the face of a bad example set by many princes and notables. The lovely Asir is to be turned into a national park. This, however, is only likely to supplement, not replace the fleshpots of the West. A suggestion from the King last year that Saudis remain in the country for the fasting month of Ramadan was bucked at the highest level—though perspiring, ill-tempered Deputy Ministers were a common sight in Taif.

Part of the problem is that the country is too young for any sense of national patriotism. It breeds only chauvinism. The vast majority of Saudis return from education abroad not out of duty but because, far more than Conrad's Englishmen, they feel they must justify themselves to their families and peers and because development is an adventure and provides truly unrivalled opportunities for enrichment.

There is, too, the question of intellectual development among th young which depends on a wholesale reform of the education system from its emphasis on rote learning and unquestioning imitation. But as Saudi officials point out, this is just one of many vicious circles in Saudi society where the shortage of people requires the import of foreigners—in this case largely Egyptians — who naturally enough have little commitment to long-term change and making up for the shortage of qualified Saudis is perpetuated.

Foreign influence has seeped into every department of Saudi social life in the towns, sometimes beneficially—sport, technology—sometimes not—drink and drugs. The clampdown on illegal immigrants launched last summer but only effective since the last Pilgrimage had as a strong social base in the desire to curb glaring abuses—African prostitutes in Ruwais, Muslims drunk on Western liquor and an apparent upsurge in crime.

European expatriates are fond of saying that the Saudi Government countenances their illegal habits because they are discreet and because the Saudis want the work done. The intention is extremely doubtful. Those who want drink can get it, of course, but the Government would clearly prefer that they could not and only massive non-co-operation prevents a complete ban.

Foreigners take a large share of the blame for whatever goes wrong from the carnage of the streets—the result of truly shockingly bad driving habits—to the high cost of projects. "Kharabu biladana"—"they're ruining the place"—is a common suq grumble much favoured by naturalised Hadramis.

Whether crime really has increased or whether, as is more probable, the security forces hav become more efficient is not clear. Most Saudis claim that the Kingdom is not the safe and law-abiding place it was and certainly non-Saudi Moslems and even Europeans—as the recent case of Britons flogged for selling alcohol shows — figure prominently in the numbers exposed to the rigorous Sharia punishments.

The savagery of these punishments for those who are caught—however few—has perhaps as strong a deterrent effect on crime as the shiftless and violent police or the very real pride Saudis take in the comparative safety of their towns. Executions are carried out in public and in Jeddah, at least, the large crowds that throng or are rounded up for the spectacle clearly derive some satisfaction — exactly what, it is impossible to define.

The worst crimes are invariably those of passion or of sexual frustration. Mitigating circumstances or the mental state of the accused carry little weight. Khaled Abdullah al-Suwaith, a young Saudi who raped five foreign women and a 10-year-old American girl in Riyadh during a two-year spree, was considered seriously ill by those who knew his family. He was beheaded anyway, an action intended to show the Riyadh bedu that foreign women, despite their apparent wantonness, are not fair game.

In Saudi Islam, lapses in ritual and morality are not separated from what might be termed criminal offences in the West. To report these has always been the duty of fellow Muslims—hence the social tolerance for informers—and of the Mutawwain. Mostly elderly men, usually of certain though not extensive learning, who patrol the suqs, armed with sticks to ensure prayers, decency and the law are observed.

Struggle

In Saudi Arabia, they originated in the villages of the Nejd under the Al-Saud, but their role increased considerably with the need to "clean up" the Hijaz after its conquest in the mid-1920s. The present Mutawwa — "The Society for the Eradication of Vice and the Encouragement of Virtue" — was institutionalised then: but its role has diminished considerably and in many areas of Jeddah they have given up the unequal struggle. They are most evident in the Jeddah and Riyadh suqs.

While a clash with a mutawwa can be extremely unpleasant for a western woman, most shopkeepers regard them as a worthy but tiresome institution and they are the object of considerable teasing. Far more serious for Saudis, and bitterly resented, is the increasing involvement of the security forces, including the police, in private affairs.

The increasing State inroads into this private world are apparent from the need for women to have passport photographs to house-to-house searches during the immigrants' campaign to a limit to commissions on Government contracts. Pressure in Riyadh to increase bureaucratic control as part of the apparatus of a modern State is meeting with considerable opposition from conservatives.

For example, low enrolment in the armed forces has made conscription an apparent necessity and the Chief of Staff Gen. Othman Al-Humaid presented a proposal to the Council of Ministers last autumn. There is understood to be powerful opposition to the proposal, notably from Prince Abdullah, the National Guard commander, as an unjustified intrusion into family life and particularly the male role in the protection of women. Attempts to carry out regional censuses have foundered on the same reef.

The proection of women has always been a first concern of Moslems, because in them the honour of the family is seen to reside. Saudi Arabia is perhaps remarkable in that the seclusion of women extends to the poor (though not strongly among the Asir farmers) and because in it religion and tradition have become so hopelessly intertwined that rational discussion is difficult.

While most middle-class Saudis remain reluctant to expose their womenfolk to the apparent chaos of Western social manners, there is considerable experimentation and, among the Jeddah rich, it is now uncommon for a man to put out into tried social waters without his wife. The changes of the past year have been dramatic. Leaving aside the Royal Family, women are far more willing now to dispense with the veil while travelling in cars unless they are going to the suq area—and the rich do not.

Other pressures, and these are likely to grow, come from Saudi men who see the advantages of an educated wife and daughters. The fact that the rich have always gone abroad—to Arab countries, Europe and the U.S.—for just this reason increases the pressure as foreign wives seek to reproduce the conditions of their homelands.

The Press has hitherto confined itself to such social questions as escalating bride prices, which are of far more immediate concern to most Saudis. But there is evidence of some concern that there must be some way for women to enjoy some of the benefits accruing to Saudis. "Why shouldn't women be allowed to the zoo?" may be the present limit to the inquiry, but there is also a new exasperation with the pettifogging regulations hampering women—the whole paraphernalia of drivers, darkened school buses, loud hailers, separate entrances and exits.

Above all, the momentum of commerce is making irrevocable changes in the physical background to the debate, the smart shops and restaurants and exhibitions, which in turn affects the Press. In the Mecca newspaper Al-Nadwa, Chris Evert may still serve and volley in a sort of inky boiler-suit but this is not the picture of women that advertisers who know how much they spend, want to put across. The overworked censors who take the ink and scissors to foreign periodicals may already be out of step.

A protected life

WOMEN

ANNE SUSSEX

BLACK BUNDLES making their way through the crowds of the *suq* conceal the women of Saudi Arabia. The gold suq is their goal and the highlight of their week. But a glimpse of faces under their slightly raised veils as they bargain over a piece of gold and compare workmanship reveals that Saudi women are not so anonymous and self-effacing as they at first appear, although all but a handful conform in wearing the veil in public.

In fact there are Saudi women doctors, *nurses*, teachers and administrators working in positions of responsibility all over Saudi Arabia. There is one qualifying factor, however. None of them is allowed to work with men. The doctors and nurses treat and care for women and children only; teachers work in girls' schools and colleges; administrators work only with children and women.

However, little more than one per cent of the total Saudi female population actually works outside the home. In a country where the main factor hampering progress is lack of manpower, this seems a terrible waste.

Education for girls has only fairly recently been accepted by Saudis. Her Majesty Queen Iffat, widow of the late King Faisal, founded the first school for girls in 1956, the Dar al Hanan. It was set up as a home and school for orphans originally. Now it is a large school for girls from 3-18 years, with a very wide curriculum and excellent teachers, both Saudi and foreign. It also has a boarding section for daughters of Saudi Foreign Office officials who have to work abroad.

Before this time any enlightened father who wished his daughter to be educated had to send her abroad. Most went to Egypt where they could be closely controlled in a Muslim environment. These few who were educated were able to help in establishing an educational system for girls in Saudi Arabia when the time came.

At first there was a great deal of opposition and girls attending schools had to be protected by their families on their way to and fro. Now 50 per cent of Saudi girls go to elementary schools from 6-11 years. Forty per cent go on to the intermediate stage from 12-15 years, and 20 per cent take secondary education from 15-18 years. This does not yet match education for boys, but targets have been exceeded in the past five years.

Technical

There are small numbers of Saudi girls going to University and Teachers' Training Colleges. There are also four technical institutes for girls, where they can take courses in home economics, secretarial and clinical work, book-keeping and laboratory work.

The King Abdul Aziz University in Jeddah has a Women's College offering courses in the arts and sciences, and including medicine. About 1,000 girls now attend this college. They are kept totally separate from the men's college and all the lecturers are women. When it is necessary for them to hear a male lecturer, there is a closed circuit television system through which they can follow the lecture and join in discussions.

At Riyadh University and UPM in Dhahran, women are allowed affiliation and may study at home. There is also a College of Medicine for women in Riyadh and a College of Education offering a four-year course.

But as more and more Saudi girls are being educated they are likely to want to take an active part in life outside the home. Most still get married at an early age to a husband chosen by their parents. Often they go back to school after marriage to continue their studies. Saudi men are beginning to favour the educated girls as wives, but they are still reluctant to let their wives work.

This is a country where women are not even supposed to talk to a man outside their family. For a Saudi girl educated outside the country this can be very frustrating. One father, awaiting his daughter's return from England complete with a degree, has prepared her room with loving care, installing a video and a carefully chosen selection of films. He is expecting her to spend most of her days in this room until he has arranged her marriage.

Another girl educated abroad and now aged 28 years is on the shelf as far as Saudis are concerned. She refused to marry anyone not of her own choice, and since she was never allowed to meet anyone she now lives with her mother doing virtually nothing. She tried to get a job as a translator but was turned down because her Arabic was not good enough!

Saudi women are certainly very highly protected. Many like this and feel very secure. Others feel like frustrated prisoners in their own houses. They spend many hours watching the video. Television is poor and has only one station operating for a few hours a day, so the video machine has become very popular.

The only outings are an occasional shopping trip (husbands do most of the shopping) or a visit to women friends who are probably relations. Very few women accompany their husbands to mixed gatherings or parties. The only parties they attend are the all-women gatherings of a wedding party when they dress in very formal clothes.

There are two charity organisations in Jeddah run by Saudi women for poor women and children. These provide some outlet for a few Saudi women. One of them has recently been running International Days. In these foreign women living in Saudi Arabia provide a programme of entertainment, exhibitions and food from their own countries. These programmes have been very highly attended by Saudi women.

Reserved

In fact, whenever foreign women organise something like a coffee morning, a fashion show or an art show, Saudi women flock to it, provided it is for women only. Exhibitions usually have a certain time reserved for women only, although a recent book exhibition sponsored by the British council was for men only.

The traditions of Islam, particularly as far as women are concerned, are very strongly adhered to—even embracing the large foreign non-Moslem population. Saudi Arabia is the only country in the whole world where women are not allowed to drive. Certainly it would be impossible for Saudi women to drive wearing their thick net veil, but this is not the usual reason given by officials. The excuses used are that conditions on the roads are too bad for women to be exposed to them. Accidents are frequent and the police arrest all drivers involved and put them in prison. The prisons have no facilities for women.

Most well-to-do Saudi women have their own drivers, so, too, do many foreign women. Others have to rely on their husbands to go anywhere. Taxis are inadvisable for any woman on her own and certainly no Saudi woman would be allowed to use one. Walking is unpleasant and could be dangerous.

Saudi women wear the veil when out in public, and foreign women are advised to wear a modest dress with a skirt to the ground, particularly in the suq where the religious police have been known to beat the ankles of a foreign woman bending over to test some vegetables. Recently, all women have been banned from using hotel swimming pools, and there is a fear that the ban will be extended to beaches.

Foreign women are also banned from working, except with women or young children. However, quite a lot do work as secretaries in offices. From time to time raids are made on various business companies to see if they are employing women. When this happens word goes round and the women disappear out of a back door or hide in a cupboard. A company will be fined SR60,000 (about £10,000) if caught employing women. There is also a reward of SR50 (about £8) for anyone reporting a woman working outside the permitted areas.

As yet, there is little pressure from the women themselves to change their position. Most insist that they are content and that things foreigners see as restrictions and barriers do not appear to them as such. One woman, whose mother was one of the first to go out without the veil and attended mixed parties, has reacted by going into strict purdah herself. Another with an American mother and educated in the U.S. has become a traditional Muslim wife.

An incident at a recent Medical Conference illustrates the attitude of Saudi females well. The women attending the Conference, all educated medical personnal, were put separately in the balcony of the conference building. The air conditioning there was not working properly and they could not hear the speakers very well. Complaints were sent down to the men and eventually the women were invited to go downstairs and sit in the main part of the hall. All the foreign women went at once but the Saudi women refused saying they preferred to stay in the balcony.

Still a long way to go

HEALTH SERVICES

ANNE SUSSEX

KING FAISAL Medical City is the centrepiece and showpiece of Saudi Arabia's Health Service. Situated on the outskirts of Riyadh it spreads over a large area and houses some of the most advanced equipment in the world. It was opened in 1975 with 250 beds and recently Royal approval was given for a further 250-bed extension. It is a Specialist Hospital and research centre run under the auspices of the Royal Cabinet Office, not the Ministry of Health. Patients can be referred to it from all over Saudi Arabia.

In the past year around 110,000 patients were treated in out-patient clinics, and 17,000 more were in-patients. Only 666 patients referred there could not be dealt with, and these were sent abroad, mainly to London, at Government expense. There is a 14 bed intensive care unit with five beds for open heart surgery patients. Some 182 open heart surgical operations were performed last year and 259 operations on the heart and blood circulation. In March this year, an eye bank was established and it is planned that the hospital will soon start cornea transplants. A kidney transplant unit is also planned for the future.

The King Faisal complex has a staff of 1,200, most of whom live in villas and flats within this miniature city. The senior staff are all expatriates, mainly from Britain, America and Arab countries. Staff numbers can be lower than normal because of the use of 14 computer systems throughout the hospital. There is an advanced system of patient-nurse communication by remote control. Laboratory tests are made by an automatic analyser. There is even a computer doing "admissions" by recording preliminary information direct from patients' answers.

However, there is a long way to go before a successful and comprehensive Health Service is functioning throughout the Kingdom. More attention seems to have been paid to specialist than to good general hospitals. At the other end of the scale there is still great belief in rural areas of the power of "witch-doctors." These "witchdoctors" not only try to cure sick people with herbal potions and lotions, a relatively harmless practice, but they use red hot nails to make patterns of burns on the skin; razor blades or broken glass to make cuts; and leeches for blood letting. Only as a last resort do their relatives bring these sick people into town to a hospital, and often it is then too late to cure them.

Another dangerous area of present health care stems from "downtown" doctors who set up private clinics in the poorer areas of big towns. Overworked, and often poorly trained, they tend to dole out modern drugs in the form of medicines and "shots" without a full and careful diagnosis. This is even more dangerous than the "witchdoctor" practices, since modern drugs are powerful and can be fatal if used wrongly.

Neglected

Health education and preventative health care are still fairly neglected, especially outside the large towns. A programme of immunisation is given to all parents with their new baby's birth certificate, but most do not understand the significance of the programmes, and many live far away from any clinic offering immunisation. Ante-natal care and baby care are non-existent outside the big towns.

The main diseases—which are often fatal, particularly among infants — are gastro-enteritis, tuberculosis, measles, malaria and bilharzia. Other diseases found in Saudi Arabia are polio, meningitis, trachoma. With the yearly influx of Hajj's there is a constant danger of epidemics of such diseases as cholera and smallpox.

There are plans to expand health education and immunisation programmes in the schools. Already television is being used to educate the people in matters of health and hygiene. In time this will extend all over the Kingdom. The next generation of Saudis should understand and accept the need for preventative health care and more use will be made of rural clinics and health care centres.

It is this lack of preventative care which "overloads" the hospitals. There are now over 80 hospitals in Saudi Arabia, but these are mainly in Riyadh, Jeddah and the Eastern Province. Small towns such as Al Jouf in the north and Gizan in the south-west have one mediocre hospital manned by a few non-Saudi doctors. Other smaller towns may only have a clinic with a medical orderly in charge.

In Riyadh, besides the King Faisal Medical City, there is a new modern Military Hospital where a team of doctors from St. Thomas's Hospital, London, recently carried out a couple of kidney transplants. There is also an artificial kidney unit there. But both the King Faisal and the Military Hospital are for Saudis only. The large expatriate community can take its pick from a variety of private and Ministry of Health run hospitals, none of which has a particularly good reputation. There is only one hospital capable of coping with emergency patients.

In Jeddah, much the same situation exists, although recently one or two new private hospitals have looked more promising. Providing they can keep their mainly British doctors and nurses their standard may be kept up. The Military Hospital is also good but open only to the Saudi Armed Forces and their families. The Ministry of Education run a University Hospital, but again it is only for Saudis.

The Ministry of Health hospitals are overcrowded and understaffed, so the service they give is fairly poor. All accident patients in Jeddah are required by the police to go to the Bab Shariff Hospital, which has quite appalling conditions and overcrowding.

In the Eastern Province the situation is eased by Aramco which provides good medical facilities for all their employees. Aramco also contributes towards research, preventative health care and health education.

There is certainly no lack of money in Saudi Arabia to provide the best Health Service in the world, and this is what the Saudis themselves want. The Ministry of Planning's first and second five-year plans for health services were very extensive and should have taken the Kingdom well on the way by now. But the first five-year plan, from 1970-75, made very little progress, and in spite of recognition of the problems involved, the second five-year plan seems to be failing in this sector too.

What, then, are the problems facing the Saudis in the setting up of an efficient Health Service? Lack of manpower is a problem facing them in all areas and it is certainly one of the major factors in the failure of the Health Service. Only 8 per cent of the total number of doctors working in the Kingdom, 6 per cent of the female nurses and 14 per cent of the University Grade Health

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System needs to be more flexible

EDUCATION

ANNE SUSSEX

"TO PRESERVE and transmit the religious heritage of Islam and the cultural traditions of the Kingdom based on Islamic principles; while at the same time equipping its citizens for life in a modern and rapidly changing world of materialism and technology." These are the published objectives of the education programme in Saudi Arabia. They are commendable but both difficult to achieve and reconcile.

Financially there is no problem. All the money for education comes from public funds allocated by the Council of Ministers. Expenditure on education rose from SR 168m in 1960-61 to SR 15,052m in 1977-1978, and is expected to go up to SR 18bn in 1979-80. In 1977-1978 the allocation represented 13.5 per cent of the total State budget.

All education is free and all school materials are mainly provided by the Ministry of Education. Poor students may obtain financial assistance in order to stay at school, while grants are given to all those at vocational or teacher training institutes and other higher education centres. Even private schools taking fee-paying students receive generous subventions from Government funds.

Over the 10 years to 1977 educational facilities increased tremendously. The number of schools increased from 2,643 to 7,497 and it is hoped by 1980 to provide elementary education for all boys and for 60 per cent of the girls. Elementary schools take children from the age of 6 to 12 years. The proportion of teachers are Saudis—three out of four and it is hoped that they will all be Saudi by 1980.

At the end of elementary schooling the pupils take an exam before passing into an intermediate school. About 95 per cent of the boys and 40 per cent of the girls move in this way. Arabic is the medium of instruction throughout the school system but some English is taught from the intermediate stage onwards.

After completing the three-year course at intermediate level the pupils take another exam before passing into a secondary school at age 15-plus. About 50 per cent of the intermediate pupils move on to do the three-year secondary course. Some of these drop out along the way. The rest take their final exams in May or June of their last year.

At secondary level there are also vocational schools and teacher training institutes. The vocational schools provide three-year courses for those who have been through intermediate schools in commercial, agricultural and industrial subjects. The teacher training institutes are the main source of supply of Saudi teachers for elementary schools. Students with an intermediate education certificate are accepted and receive a monthly grant.

Curricula

School curricula and syllabuses are the same throughout the Kingdom. They are based on the old Egyptian-French system formerly used in Egypt and other Middle East countries. Both the curricula and the major exams taken at the end of each stage of education are approved, controlled and set by a central authority.

Higher education is covered by six universities and various polytechnic institutes and military colleges. Entrance to university depends on marks obtained in the "tawjihiyyah," the secondary level exam. Those obtaining 75 per cent or more may choose which faculty they join; those with low marks are not allowed to join the faculties of medicine or engineering. A first degree may be obtained in four years—except in medicine, pharmacy and engineering. Arabic is used for instruction except in the medicine, science and engineering faculties, where English is used.

Politics are not permitted in the universities. Education is free and it is therefore believed that students should not be allowed to attack the system. If a student fails to attend threequarters of the lectures he or she is not allowed to take the exams. Most courses are designed to develop human resources in order to help solve manpower problems. The courses are therefore not purely academic in non-scientific subjects but are geared towards acquiring technical and professional skills.

Male student numbers in university rose from 12,339 in 1974-75 to 20,305 in 1977. Female students numbers rose from 1,773 to 3,305. It is hoped to have a total of around 40,000 students by the end of the Second Five Year plan in 1980.

The University of Riyadh was the first to be founded—in 1957. It opened with 21 students and nine teachers. Now there are 12,000 students and 300 lecturers. Plans are to expand to 25,000 students. The first faculty was arts. Now there are faculties of science, pharmacy, medicine including dentistry, commerce, engineering and education. There is also a branch of the faculty of education in Abha, opened in 1976.

The University of Petroleum and Minerals in the Eastern Province at Dhahran was founded in 1963 with 100 students and now has around 2,000. Architecturally it is very dramatic—situated on a hill near the Aramco headquarters and at night it is dominated by a floodlit water tower. It is also the world's largest university of oil technology and expects to provide enough Arabs qualified in the subject to satisfy the needs of the industry throughout the region.

UPM is an autonomous institute under the authority of the Ministry of Petroleum and Minerals. All the teaching is in English. At the moment it produces 123 B.Sc. graduates and 54 M.Sc. per year. The showpiece of education in Saudi Arabia, it is regularly shown to visiting Heads of State and was visited by Queen Elizabeth during her recent tour of the region.

King Abdul Aziz University in Jeddah and Mecca was founded in 1967 by Saudi businessmen. It grew so fast that the Government took it over in 1971. Women were admitted in 1969 and now have a separte campus and a closed circuit television system for listening to male lecturers. In 1977-78 there was an enrolment of 7,500 students. It is planned to have 11,500 by 1980. There are faculties of arts, science, economics and administration, medicine and engineering. There are also institutes of marine science, applied geology and meteorology. At Mecca there is a college of education and a college of Islamic law.

King Faisal University at Damman and Hofuf in the Eastern Province was established in 1975 and now has around 800 students. It has faculties of medicine, architecture and agriculture, and plans to have education, humanities and science faculties.

Iman Mohamed Ibn Saud Islamic University in Riyadh opened in 1974 to provide higher education in Islamic studies, Arabic language, Islamic law and history. The Islamic University in Medina, opened in 1976, also provides religious education, mainly to non-Saudi Muslims.

Institutes

Besides the universities, there are polytechnic institutes. There are two higher technical and three higher commercial institutes giving two-year courses. There are also military colleges and academies in Riyadh, Taif and Dhahran.

For women there are colleges of education at Riyadh and Jeddah and a college of art in Riyadh opening soon.

There are vocational craft training centres in Jeddah, Abha, Jouf, Riyadh, Buraida and Dammon with 18-month courses in construction, mechanics, metal-working, electrical, automotive and woodworking trades. There is also an ambitious adult literacy programme through evening classes and television. It is estimated that only 55 per cent of the adult population can read and write.

No fewer than six agencies are involved in administering education. The bulk of the students, 59 per cent, come under the Ministry of Education, which was created in 1953. The Girls Education Administration under the supervision of the religious authorities closely follows the policy of the Ministry of Education and accounts for another 30 per cent. The rest come under the Ministry of Defence, religious colleges and various private bodies.

Higher education is run by its own Ministry established in 1975. Formerly universities were semi-autonomous; now they are the responsibility of the Ministry through the Supreme Council for Universities. This council lacks authority, however, and the Ministry makes all the final decisions and is responsible for sponsoring Saudi graduates going overseas for further studies.

Decentralisation of the educational administration is desperately needed but more trained Saudis are needed to implement it. Similarly, with the rapid building of new schools and the expansion of universities, more trained Saudi teachers are needed. There will be dependence on expatriates for some time to come and perhaps indefinitely.

The Islamic traditions and the Egyptian-French curricula which are used both encourage learning by rote and accepting all that is presented to the student by text books and teachers without thought or question. There is some realisation that this educational system is not appropriate in the modern world but little is being done about it.

This rigid system even extends to the universities. Twelve credit hours out of 150 are devoted to religious studies. Recently entry requirements to university were changed, giving all students holding a secondary level certificate the right to enter. This is likely to lower standards generally. Already there is a lack of good supervision of exams, a leaking of papers, and falsifying of marks. But a move is afoot to change to the system of credits as used in the U.S.

In colleges of education and teacher training institutes new methods of instruction are being used. Changes are also being made in the curricula. In time the quality of education should improve and a more flexible and up-to-date system be introduced.

Students at the University of Riyadh. The University currently has 12,000 students.

Long way to go

CONTINUED FROM PREVIOUS PAGE

Workers are Saudi. This means a large number of expatriates work in these areas. They are often on short contracts. Many find themselves in poor accommodation with no social amenities. They sometimes have difficulties getting visas for families, arranging leave and even in being paid. It is hardly surprising that many do not renew their contracts and there are constant changes in the staff of hospitals.

Medical Schools have now been set up in Riyadh, Jeddah and the Eastern Province. By 1990 it is hoped that 50 per cent of the doctors will be Saudi. There are nursing schools for women in Jeddah and Riyadh, but recruitment is low since most Saudi families are reluctant to let their daughters work at all. Nursing is the least socially acceptable of the few areas of work in which women are allowed to participate.

Another factor which hampers the health service is the large number of ministries and agencies involved in it. Around 15 different bodies have a hand. In hospital building alone the Ministries of Health, Higher Education, Defence, Social Security and the Interior, plus the National Guard and an enormous private sector, are all involved.

There appears to be little, if any, liaison, exchange of information or discussion between the various ministries and agencies involved. The Minister of Health, Dr. Hussain al-Jazairi, is a brilliant surgeon who still spends a lot of his time in an operating theatre. His authority seems to be limited and his department seems dominated by the Ministry of Planning and the Ministry of Finance. Even within his domain, where everything is referred to him by heads of department, instructions are not carried out if they in any way deviate from certain regulations.

The Council of Ministers and the Ministry of Planning are well aware of the deficiencies in the Ministry of Health. It seems clear that a good deal of reorganisation of the administrative side of the health services will have to be done if an efficient and comprehensive service is to be provided. It is rumoured that Dr. Faiz Badr, who took over and reorganised the ports when they were in chaos, has his eye on the Ministry of Health.

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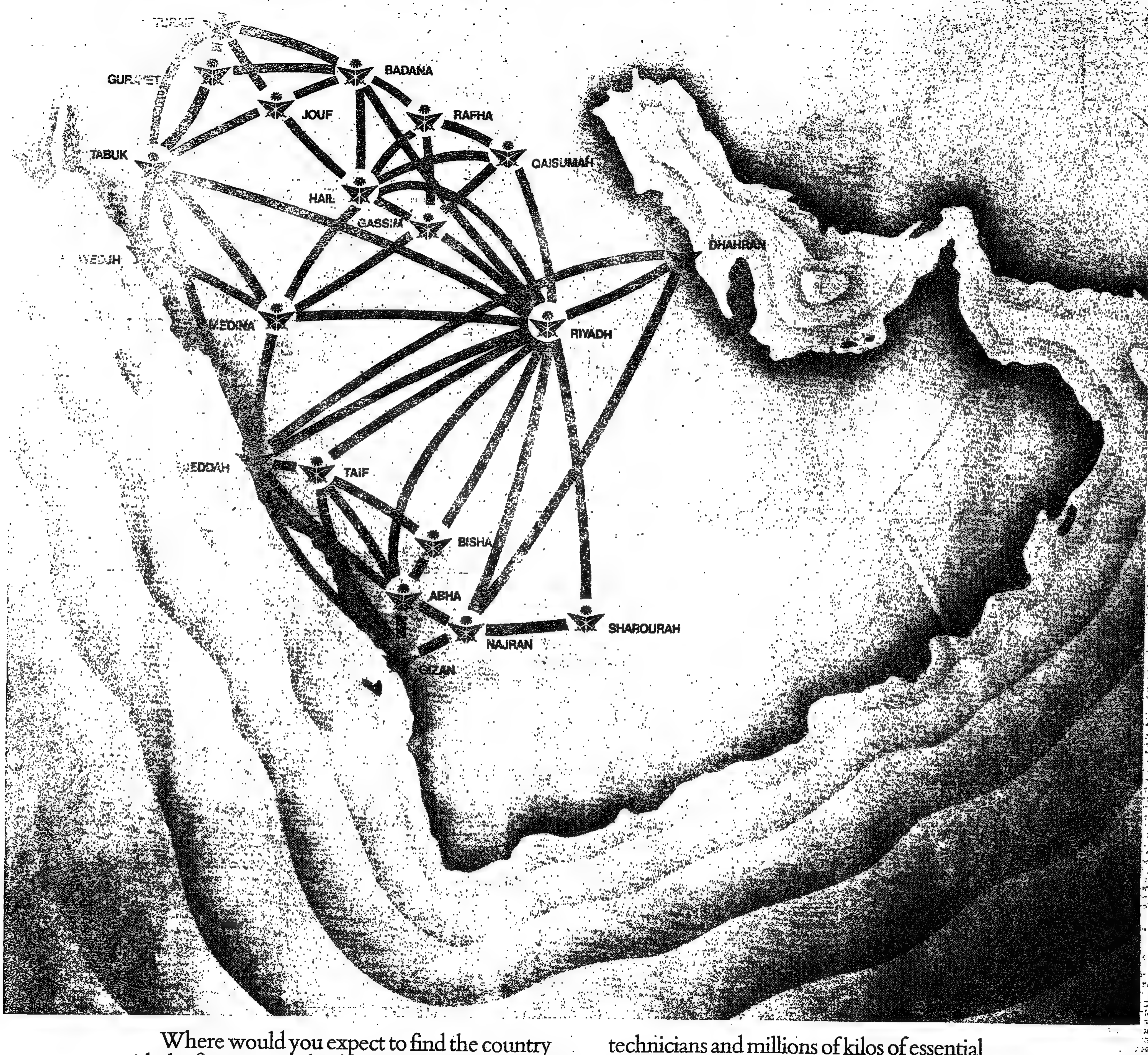

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The trouble with buy-back deals . . .

BY SUE CAMERON, Chemicals Correspondent

THE ATTACK made by Imperial Chemical Industries last week on buy-back deals with Eastern bloc countries is likely to meet with much sympathy but little action by other Western European chemical majors.

Buy-back deals enable Comecon countries to pay for Western technology with products. Over the last few years such deals have come in for harsh criticism from Western Europe's chemical industry, which claims they are wreaking havoc with the market. Yet Western Europe's process plant industry has found that these same barter agreements have opened up profitable export opportunities to it.

As yet there would seem to be no way of reconciling the interests of the two groups.

Mr. Maurice Hodgson, the chairman of ICI, claimed in his speech last week that barter agreements with Eastern Europe appeared to be on the increase. They often led to Western Europe's chemical market being disrupted by "low-priced imports we do not want" and he stressed that the Comecon countries were not nearly so quick or so generous to provide access to their own domestic markets.

Mr. Hodgson added that when U.S. or Japanese companies did barter deals with the Eastern bloc, the Western European market was often forced "to bear the burden of the unwanted imports." He concluded by saying that ICI welcomed opportunities to trade with the Comecon countries—but only on an "even-handed basis."

His definition of the problems which buy-back deals bring to the chemical industry was brief and offered no remedies. Overall, his comments amounted to little more than a vague plea for inequitable barter deals to be stopped.

Mr. Martin Trowbridge, director general of the UK Chemical Industries Association, suggests that buy-back agreements with Comecon countries may be no more than a "nursery slope" exercise for the West's process plant industry, and that the difficulties caused by cheap chemical imports from Eastern Europe will be as nothing compared to the damage which would be done if and when barter deals start to be arranged with the developing countries.

There is evidence that major engineering and contracting concerns see their future very much in terms of those developing countries which want to exploit their own natural resources. But most Third World states almost inevitably will have as much difficulty in raising hard currency to pay for their new plants as do the Eastern bloc countries at present. And it was a shortage of hard currency that led to the rebirth of the barter system in Europe.

Yet the big process plant groups refuse to accept responsibility for the adverse effect their activities may have on Western Europe's chemical industry.

Companies like Davy International, the UK-based process plant and engineering group, stress that they normally act only as introductory middlemen when it comes to arranging buy-back agreements. Davy says that "everyone would prefer straight deals." But straight cash deals are not always possible. Some customers make it clear that unless a barter agreement can be made there will be no sale.

Davy says it starts looking round for partners as soon as a customer makes clear that a contract must be on a buy-back basis. The Davy group itself is in the business of designing and building plants—not of selling chemicals, coal, steel or any other commodity. Once it has found suitable partners it puts them in touch with its customer and "then they are on their own." Davy's part in the barter side of the deal is over.

Freddie Mansfield

Maurice Hodgson, ICI's chairman—"imports unwanted."

The mechanism of a buy-back deal can vary from one agreement to another. But if a UK company like Davy builds a plant for Poland under a buy-back arrangement, a syndicated loan is usually arranged under the Export Credit Guarantee Department. The loan money goes into a bank in Poland and is used to pay Davy when the company starts sending in invoices for the work it has done.

Eventually the plant is completed, Davy's bill settled in full in cash and the bank loan exhausted. The plant then comes on stream and the product from it is given to a Western European trader or chemical company — one of the partners originally introduced to the Poles by Davy. The trader or chemical company sells the product on the West European market, takes a cut for itself and then uses the bulk of the sales income to repay the original syndicated loan.

Deals of this type are not always on a 100 per cent buy-back basis. The price of the new plant may be paid partly in hard currency. Sometimes counter-trading agreements are made in preference to buy-back deals. These involve paying for a plant not with product but with entirely different goods—cars perhaps—which may be sold to a third country.

The number of separate groups involved in a buy-back deal makes it hard to blame any one of them for a flood of cheap chemical imports onto a Western European market that is already suffering from over-capacity in many sectors. It also adds to the difficulties inherent in trying to exercise control over barter arrangements.

The only way the Western chemical industry can have a direct effect on deals of this type is by selling—or refusing to sell—its plant technology to the Eastern bloc. Groups like Davy do not carry out large-scale research and development for chemical plant processes—although Davy has had considerable success with its own technology in certain limited areas. The company estimates that overall it spends only 1 or 2 per cent of its income on research and development.

But the big contracting and engineering concerns do buy in, under licence, processes developed by the chemical majors. Davy is currently building two methanol plants for the Russians using ICI technology. What is more the £125m contract is on a buy-back basis and it is ICI that is going to sell the methanol on the European market.

But ICI points out that the market for methanol is going to increase substantially during the next few years, and its object in going into the Russian deal was to obtain enough product to meet projected demand. It insists that the methanol project in Russia "will not spoil our own market or anyone else's markets."

Earlier this month Davy signed another contract with the USSR to build a £50m chemicals plant at Nishnekamsk, in the Tartar republic. The £50m plant, which will produce alpha-olefines, will use a process developed by the U.S.-based Ethyl Corporation.

At the contract-signing ceremony in London, Mr. John Smith, the Trade Secretary, dismissed the commercial dangers of selling Western technology to Eastern bloc industrial competitors as "just part of export marketing." But he was careful to stress that this particular alpha-olefines contract—alpha-olefines are used in the making of plastics and detergents—was not a buy-back deal. It is being financed under the £950m Anglo-Soviet trade credit agreement made in 1974.

Mr. Smith's let's-face-the-facts approach was understandable considering that Davy had won the contract in the teeth of opposition from the Japanese Mitsubishi group. This circumstance underlines the argument of Western Europe's process plant industry that if it does not build plants for the East on a buy-back basis the Japanese or the Americans will.

It is an argument that is thought to carry some weight with senior civil servants in the Departments of Trade and Industry who are understood to have no answer to the problem of protecting chemical concerns without actually harming the process plant industry.

But Mr. Trowbridge says there is a difference between supplying the Eastern bloc with what he calls "textbook plants" and with selling it the latest processes developed by individual chemical companies. He accepts the argument that foreign competitors will be only too happy to supply textbook plants—the processes of which are common knowledge—if Western Europe fails to do so. But he believes chemical companies should be far more cautious about parting with their technological secrets and when they do they "should be cognisant of the interests of the whole industry."

Yet there are signs that buy-back deals using both textbook technology and brand new processes will soon start to proliferate on a world scale rather than on a purely European one. The Davy Group already operates in most areas of the world, although a high proportion of its sales continue to come from the U.K. and from North America—where its £55.5m acquisition of the McKee Corporation last year should boost its activities considerably.

But the group is looking increasingly to marketing opportunities in the less industrialised countries. Its activities in South America and Africa—as well as in the Iron Curtain countries — are multiplying. Even more dramatic is the development of its business in China, where it won contracts worth £150m last year. The group says the potential in China "is very great indeed."

Davy says it sees its future in terms of both rebuilding the world's current capacity for such products as chemicals and steel and of putting up plants that will enable less industrialised countries to exploit their own natural resources.

The group points out that developing countries are anxious to add value to their natural resources. Brazil, for example, wants to sell steel—not its iron ore. What is more it may be able to export steel—there is a big Davy steel project now under way in Brazil — comparatively cheaply because it is sitting on one of the key raw materials.

The need of countries like Brazil to turn their raw materials into finished or semi-finished products is thus good news for Davy and for other process plant groups. But it will force the West European chemical industry to think more seriously about acting — as opposed to complaining — over cheap foreign imports.

There are a number of ways in which the impact of buy-back deals could be lessened but none of them is wholly satisfactory. One would be for European chemical companies to draw up a blacklist of process plant concerns whose buy-back deals were felt to be harming the chemical industry.

The aim would be to force contractors to consider all the implications of any buy-back deals and to work more closely with the chemical industry. A blacklist could have some success because Western Europe's chemical industry is highly developed and its plant does need constant modernisation and replacement. But the difficulties of judging the merits and demerits of every buy-back deal and of every contractor's record would be immense. A blacklist would also be more likely to lead to feuds than to a closer relationship between the chemical and process plant industries.

A more promising alternative would be to take action through the European Commission. The Commission could perhaps lay down that the value of chemical products coming into the Community must be balanced by exports from the EEC to the country concerned.

One of the problems with this line of attack is that the Commission would have to become more closely involved with the doings of the chemical industry. Some chemical concerns, particularly the German majors, would be unlikely to welcome what they would see as governmental interference.

Another possibility which Davy forsees is the development of parallel contracts between companies of different countries. For example, a UK company might win a £100m contract to build a chemical plant in a foreign country. That contract would be paralleled by another under which the UK would buy £100m of goods from the country. The two contracts would not be directly tied to each other.

Parallel contracts of this type could avoid unwelcome Government interference and they could be used to bring a greater measure of what Maurice Hodgson called "even-handedness" to buy-back trading. On the other hand, the knowledge that Western European car exports were being balanced against Eastern European plastics imports could provide only cold comfort to the chemical industry on this side of the iron curtain.

Letters to the Editor

Spending on defence

From Major General R. Mans, CBE

Sir,—In comparing the manifestos of the three major parties Malcolm Rutherford (April 14) is one of the few political commentators who has drawn attention to the Labour Party's promise to cut defence spending yet again: this in spite of the successive swingeing reductions made in our defence capability since 1974.

Just 10 days before the Labour manifesto was issued Ministers were acknowledging in the House of Commons defence debate the very serious nature of the Soviet threat.

Mr. Mulley stated that the Soviet Union must understand that the constant increase in its military capability posed a threat to stability and detente. Expanding on this theme Mr. Wellbeloved recognised that the Soviet strategic air threat had grown tremendously and that a general decision had already been taken to increase the number of our air defence fighters for the UK.

Now we witness these self-same ministers apparently subscribing to a commitment to reduce our defence effort. If, as Mr. Rutherford surmises, correctly in my view, this was a blatant concession to the Left wing of the Labour Party to restrain it on other issues then assuredly the matter demands very serious public debate in the Election campaign. The nation must be clearly informed if its fundamental security is to be sacrificed for political expediency.

R. S. N. Mans,
Kirke House,
Sway Road,
Brockenhurst,
Hants.

Trade out of recession

From the Director, British Importers Confederation

Sir,—As the review by Brij Khindaria (April 11) makes plain, the new rules emerging from the Tokyo round of GATT negotiations represent a retreat into protectionism. The Governments of the industrialised West appear to be reacting to current high levels of unemployment in a broadly parallel manner to that of the 1930s. The difference is that their actions now are more selective and are being taken jointly not unilaterally.

Protectionism breeds protectionism. The old multifibre arrangement, justified by the need to provide a breathing space for the European textile industry to modernise and become more competitive, is with us still and its provisions are enshrined in the new agreement and made even more restrictive. We must now assume they will be continued indefinitely since the textile industry's inability to compete in specific areas is likey to remain unchanged.

The way to reduce current levels of unemployment is by expanding trade because trade creates demand and demand creates employment. Over the next decade the main source of demand will be the developing countries. If these countries are to import our goods in increasing quantities, their economies must continue to expand. Unless the industrialised West is prepared to take those goods which the developing countries produce efficiently and competitively, the required expansion will not take place. As a result the opportunity to trade out of the present recession will be lost.

It seems pointless to extend economic aid and then cry halt to those very industries which are in the forefront of the developing countries' industrialisation and therefore vital to raising their standard of living.

This country has always imported on a massive scale, certainly for the last 700 years. We have always been traders as well as producers and manufacturers. All are dependent on one another, trade creating the overseas markets for the manufacturers' exports by which means alone we can expand our economy.

E. Ira Brown,
69, Cannon Street, EC4.

A formula for comparability

From Mr. R. Foss.

Sir,—As a result of the widespread disruption of the public service resulting from the civil service strike, the Government has revised its offer of 9 per cent on April 1 with the balance to be staged in two halves, the first on August 1 and the second on March 31, 1980, and has now agreed to implement "fair comparisons" (the traditional method of setting civil service pay) by January 1, 1980.

In the face of its own pay research unit findings—backed up by a great deal of other substantial evidence such as the new earnings survey compiled from returns from companies over the whole country, and the independent British Institute of Management Inbucon survey — it now offers the following formula:

Current rate	100.0	
Rate due	126.8	126.8
Payment from 1 April	109.0 x 4 months =	36.33
" " 1 August	114.0 x 5 months =	47.50
" " 1 January 1980	126.8 x 3 months =	31.70
		115.53
Net underpayment in 1979-80		11.27%

or a shortfall of £644.42 and £890.78 this year for the two middle management grades.

What faith can the other parts of the public sector have in "comparability" — to give the proposals of the Priestley Commission of 1955 for "fair comparisons" its new name—if that is the best result that can be achieved following the most disruptive strike in history of the civil service?

R. S. Foss,
41 Midmills Road,
Inverness.

The utmost good faith

From Mr. P. James

Sir,—I was interested in the letter of Mr. Roger Bardell, general secretary of the British Insurance Association (April 5) only in so far as it confirmed the view that such statements are designed to quiet public concern and by and large have no relevance to what is actually happening.

The way in which insurers have moved from the basic principles of insurance practice in recent years is shown up most clearly in the present state of the house insurance market, but of course it applies equally to most other forms of insurance contract. Elucidation of some of these fundamental principles will help to explain this statement.

Insurance contracts are governed by the doctrine of "uberrima fides" which is translated as "utmost good faith." While this has always placed a greater obligation on the insured than the insurer, it is interesting to note that textbooks normally qualify this with a phrase along the lines that "the insurer must disclose the precise terms of the contract he offers, and must not take advantage of the ignorance of the proposer." Well, one could safely argue in the light of Woolcott v Sun Alliance and London, and more recently Leppard v Excess Insurance, both the precise terms of the contract and the precise meanings of reinstatement value have not been fully explained to the insuring public.

This leads us nicely on to our second fundamental principle "concensus ad idem" which is normally defined as "requirement of complete agreement between parties to the contract." This involves consideration of the rules relating to mistake, innocent and fraudulent misrepresentation, non-disclosure and concealment, and duress and undue influence.

Among all this, the last two words have great relevance, as insurers can be said to have undue influence over the public mind to the extent that their pronouncements on insurance matters are held to be made in the public interest and not their own. This is shown up most clearly with the introduction of reinstatement value in the face of what is referred to as the foundation of all insurance law to wit the doctrine of indemnity contained in Castellain v Preston 1883 11 QBD 380.

The learned judge's definition is as clear today as it was then and it bears repeating I quote, "The very foundation, in my opinion, of every rule which has been applied to insurance law is this, namely, that the contract of insurance contained in a marine or fire policy is a contract of indemnity, and of indemnity only, and that this contract means that the insured, in case of a loss against which the policy has been made, shall be fully indemnified, but shall never be more than fully indemnified. That is the fundamental principle of insurance and if ever a proposition is brought forward which is at variance with it, that is to say, which either will prevent the insured from obtaining a full indemnity, or which will give the insured more than a full indemnity, that proposition must certainly be wrong. There can be no doubt that this case law leaves the insurance company as the sole arbiter of whether reinstatement value would ever be paid, and most clearly defines the fact that the insured has no control over this whatsoever.

Therefore, this present system of reinstatement values by which insurers are receiving increased premiums, which in the event of a claim only they decide whether or not to pay re instatement is clearly inequitable and wholly against the spirit of the doctrine of "utmost good faith."

Peter R. James,
102, Insley Gardens,
Hucclecote, Gloucester.

The coming cataclysm

From Mr. Winston A Cooper

Sir,—Supporting Mr. Whaley (April 10) the oil crisis we are already in is one which can only become increasingly severe. We, in the developed economies, have become arrogantly myopic; believing our civilisation is so sophisticated, and we its creators, so adept and clever, that nothing can avert us from our course of increasing growth and development. Nothing could be further from the truth.

We rely for survival on the constant provision of energy intakes to maintain our bodies, and we could most aptly define economics as the process of self-preservation of the human species. Our whole economic process is dependent upon provision of raw materials, such as wood, coal, iron ore and crude oil, which are in essence "low entropy," by this I mean these physical raw materials have available (or free) energy contained in them which can be utilised for man's use. Once these raw materials have been utilised, however—in whatever form we choose—energy that was once in them is no longer available for our use, e.g., burnt coal becomes ashes and will not heat the boiler again, and so they are now "high entropy" because of this transformation.

This is a fundamental law which is the very foundation of economics, though only a few economists have recognised its importance. In fact its omission from current economic theory, whether Keynsian or post-Keynsian, invalidates almost all of their teachings.

Developed economies, particularly those in temperate zones, have higher standards of living than in the "third world" only because they are able to generate these "low entropy" inputs by which their populations are supported. Of all such inputs into the economic low entropy process, oil is currently the most important. It is both a fuel and a resource. Remove oil and you create—with alarming speed—total economic and social collapse.

There is a cataclysm facing all of us in the near future which, given that we do nothing to avoid it, will eventually engulf most of mankind, for, without high entropy in the forms of refined oil, steel and the like we cannot create what are, for our vast urban populations, the necessities of life. We are currently living off our low entropy capital; and it does not take a genius to realise what living off capital implies.

Winston A. Cooper,
Ranmore,
Raleigh Drive,
Claygate, Esher, Surrey.

Today's Events

UK: Candidates' nominations for General Election close.

London and County Securities fraud case opens.

Scottish Trades Union Congress opens, Eden Court Centre, Inverness (until April 27).

Amalgamated Union of Engineering Workers' engineering section national committee conference, Town Hall, Eastbourne.

Royal College of Nursing conference opens, St. Peter Port, Guernsey (until April 27).

National Union of Journalists annual delegate meeting opens, Ayr (until April 27).

Mr. Michael Edwardes, British Leyland chairman, speaks at Freight Transport Association dinner, London Hilton.

Market Research Society statement on "door-step manipulators" who abuse householders' privacy.

Westminster Chamber of Commerce trade mission leaves for Korea (until May 3).

Sir Ernst Gombich gives Burlington Magazine lecture on "Giotto's portrait of Dante?" National Portrait Gallery, 6.15 pm.

Overseas: U.S. and USSR meet in Vienna to discuss ban on anti-satellite weapons.

Group of Latin American and Caribbean Sugar Exporting Countries holds 10th plenary session in Buenos Aires, lobbying for higher prices (until April 27).

Public hearings start in Washington on Tokyo Round trade negotiations.

EEC conference on solar energy and reduction of dependence on imported oil, Berlin (until April 26).

President Ziaur Rahman of Bangladesh visits Netherlands (until April 25).

OFFICIAL STATISTICS

First quarter, first preliminary estimate, consumers' expenditure. New vehicle registrations for March. New construction orders for February.

COMPANY RESULTS

Final dividends: Amalgamated Metal. Camrex. Corinthian Holdings. Electrical and Industrial Securities. London United Investments. Office and Electronic Machines. Provident Financial. Revertex Chemicals. Rugby Portland Cement. Wood and Sons. Interim dividends: Long and Hambly. M.Y. Dart. Moran Tea. W. A. Tyzack. Wade Potteries.

COMPANY MEETINGS

See Financial Diary on page 44.

AF changing structure in effort to recover

IN HIS annual statement Mr. P. M. Tapscott, the retiring chairman of Associated Fisheries, Britain's major fishing, cold storage and processing company, says the group must now pick up the pieces and look to the future. The directors are tackling substantial changes of structure in order to restore an acceptable level of profits.

Shore-based activities should continue their organic growth and increase their contribution to group profits. Fishing activities, however, are unlikely to be profitable before 1980 at the earliest unless the EEC and the British Government does render assistance urgently.

The current year has resulted in continuing losses from UK trawling, albeit below last year's rate and the Australian venture is at a very critical stage.

The dry warehousing business continues profitably and there is evidence that last year's improved profit from the shore-based activities should go further in the current year.

As reported on March 2, for the year to September 30, 1978 the company suffered a turnround from a profit of £2.69m to a pre-tax loss of £2.38m. On a current cost basis the year's loss would have been £3.31m.

A geographical breakdown of turnover and losses shows (£000s omitted); UK and Europe £74,335 (£96,456) and £468 (£3,879 profit); North America £1,051 (£960) and £23 (£26); Australia £892 (£443) and £1,456 (£22); others £686 (£337) and £126 (£4).

During the year the group's investment through British United Trawlers in Southern Ocean Fish Processors, a company registered in Australia, was increased from 49.9 per cent to 76.9 per cent. Since the year end this holding has further increased to 82.8 per cent. In March 1979 one half of BUT's investment in British United Trawlers Australia, which holds the investment in SOFP, was transferred to an associated company. Consequently SOFP is now again an associated company.

In the six months following the year end SOFP has incurred trading losses and these have been partly financed by loans raised by BUT Australia totalling A$1.5m which have been on-lent to SOFP. The loans to BUT Australia are guaranteed by BUT. In view of the continuing losses and in the absence of further support by BUT or a third party the directors are of the opinion that SOFP may have to cease trading.

Consequently in addition to consolidating the losses for the period to September 30, 1978 full provision has been made in the accounts for the aggregate loss which may now arise to BUT as a result of the loans made to SOFP since the year end proving to be irrecoverable and certain guaranteees being called. This provision has been treated as an extraordinary item net of minority interests.

During the year under review activities outside distant water trawling made encouraging progress and these produced a useful increase in profit.

All profit was, however, totally negated by the heavy losses on distant water trawling both in the UK and in the recent joint venture in Australia. "A further year has gone with again no settlement of the Common Fisheries Policy and the impact of the situation is now all too evident, despite continuous efforts by management to mitigate its worst effects," says Mr. Tapscott.

Over the year group turnover fell sharply to £77m, the 22 per cent fall being the result of a combination of an involuntary £9.6m decline from fishing and engineering operations and a deliberate disposal of some £15m of relatively unprofitable turnover in food distribution.

The group operating loss was £2.27m.

A statement of source and application of funds shows a decrease in working capital of £4.86m, compared with an increase of £3.16m.

The AGM will be held at the Savoy Hotel, WC, on May 14 at noon.

Exciting future at Hepworth Ceramics

PROSPECTS BEFORE the Hepworth Ceramics Holdings group are "most exciting," and chairman Mr. Peter Goodall has great confidence in the future, wherever the group may be called upon to operate.

At present the group is bringing into production in two of the divisions major improvements which constitute "nothing more nor less than a technological lead" and which should have a profound effect upon the business at home and overseas.

Mr. Goodall says true growth can only be based on the ability to out-perform the competition here and abroad and "this we intend to do."

The group remains firmly embarked on a policy of growth wherever that may be. Last year some 88 per cent of trading profit was earned in the UK.

In the year 1978 the group improved its pre-tax profits by £3.7m to £30.4m but suffered from the performance of the refractories division and its worst-ever year for industrial unrest. Serious strikes against the pay policy meant that profits were hit, cash flow was put back and, ultimately, capital investment delayed.

On the refractories side, the chairman says there is a great deal in hand which should bring about improved results in 1979 and better thereafter.

At the year-end there was a decrease in net liquid funds of £1.35m, against an increase of £12.27m. Planned capital expenditure stood at £26.6m, of which £12.8m has been committed.

Meeting, Charing Cross Hotel, W.C., May 16 at noon.

BOARD MEETINGS

The following companies have notified dates of Board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Long and Hambly, M.Y. Dart, Moran Tea, W. A. Tyzack, Wade Potteries.

Finals:—Amalgamated Metal, Camrex, Corinthian Holdings, Electrical and Industrial Securities, London United Investments, Office and Electronic Machines, Provident Financial, Revertex Chemicals, Rugby Portland Cement, Wood and Sons.

FUTURE DATES

Interims:—	
Atlanta, Baltimore and Chicago	Apr. 24
Devenish (J. A.)	May 16
National and Comrcl. Banking	May 2
RCF	Apr. 26
Simpson (S.)	†Apr. 25
Finals:—	
Barrow Hepburn	Apr. 26
Belgrave (Blackheath)	Apr. 27
Brixton Estate	May 8
Brook Street Bureau	Apr. 26
Ellis and Goldstein	Apr. 26
Estates Duties Inv. Trust	Apr. 24
Gerrard and National Discount	Apr. 26
J. B. Holdings	Apr. 24
Lesney Products	May 8
London and European	Apr. 25
Mowlem (John)	Apr. 25
Richardsons, Westgarth	Apr. 25
Roberts, Adlard	May 1
Runciman (Walter)	May 15
Scottish Ontario Investment	Apr. 27
Sunlight Service	Apr. 27
Whatman Reeve Angel	Apr. 27

† Amended.

Richards & Wallington set for further growth

LOOKING FORWARD to a further increase in profits for the current year, Mr. W. R. Richards, chairman of Richards and Wallington Industries, says the company is soundly based at home and is now well forward with its overseas business.

He describes this situation as satisfactory and says it will ensure the future prosperity of the group.

Continued investment in new equipment during 1978 demonstrates the directors' confidence in their ability to maintain and improve the market share in the current year. The mainspring of the group's business, crane hire, has been trading in difficult markets that have been depressed, but evidence of an improvement is apparent and increased hire rates have been achieved and will improve further.

After a difficult start to the year, as a result of the road haulage strike and bad weather, utilisation of fleets is currently at a very high level and confidence has never been better, states Mr. Richards.

For 1978 pre-tax profits, as reported on April 14, rose from £2.69m to £3.03m on higher turnover of £35.48m compared with £32.44m.

The year was very disappointing for Peace Transfers both in performance and its forward outlook, and towards the end of the year they initiated steps to divest the group of this activity.

As a result a provision for anticipated closure costs, the bulk of which will be incurred in the current year, has been treated as an extraordinary item in the accounts.

An adequate return on invested capital was not forthcoming from Mechquip Fork Lift Hire and the company has been sold at a figure in excess of book value.

Crane hire activities in the UK once again performed well, bearing in mind the market conditions prevailing and the adverse effect on rates of hire.

It was not easy to maintain a sufficiently high level of utilisation to ensure a good return on investment in evermore sophisticated and expensive plant, but this has, by and large, been achieved.

It is becoming increasingly evident that the scope for the group's expertise gained in the push for North Sea oil is boundless. Similar operations in other parts of the world will undoubtedly provide it with considerable future revenue, states the chairman.

The performance of British Crane Hire Corporation (Southern) has been outstanding with profits for the year well in excess of those budgeted.

Slow start for Ault & Wiborg

THE EARLY MONTHS of 1979 have been extremely difficult for Ault and Wiborg Group because of the lorry drivers' strike and the bad weather, Mr. C. F. Strang, chairman, says in his annual statement.

However, he hopes that much of the business lost during that period can be regained during the remainder of the year. The successes of 1978 augur well for the future, he adds.

As reported on March 10, taxable profits advanced from £2.12m to a record £3.09m in 1978, on turnover up from £33.93m to £38.96m. Exports rose from £2m to £2.62m.

The chemical division's results were disrupted by a fire at one of the Mitcham factories in September. The directors explain that the £1.34m receivable from the insurers in respect of the assets destroyed and the consequential profits loss up to the year-end have been taken up in the accounts. Because this amount is substantially in excess of book value, a surplus of £733,000 after tax has been added to reserves.

The chairman says good progress is being made towards reinstatement of the lost production capacity.

Of the inks division, the chairman says sales of all sections both in UK and export markets continued to advance, although the total market showed little growth. A joint venture company in Lagos will be in production in the first half, and the new Bristol factory started production in March.

Profitability in the paints division has been improved by more efficient manufacturing methods. A strong capital investment programme was started last summer and significant expansion of the manufacturing facilities at Perivale is in progress.

The construction division increased its profit contribution although some of the political problems in the Middle East resulted in sales there being reduced to a level below that originally planned.

Growth in both sales and profits in paints and printing inks continued in the Irish company, and plans were set in motion to increase manufacturing capacities.

On a CCA basis, taxable profits were up from £983,000 to £2.23m.

Meeting, 71, Standen Road, SW, May 11, noon.

Underwriting profits crucial

REPORTING as chairman of Sun Alliance and London Insurance, Lord Aldington again stresses that the making of underwriting profits is crucial.

Surplus insurance capacity and lack of real economic growth in many parts of the world mean that success will not be achieved easily in all the group's accounts, but "we shall hold to the policy of seeking profits from our underwriting," he states.

Lord Aldington says underwriting profits are essential if the industry is to play its rightful part in meeting the needs of policyholders on the one hand, while ensuring a proper return for shareholders on the other.

"It must now be clear that any threats of nationalisation or more insidious means of interference can do nothing but damage our reputation all over the world and give help and encouragement to the many international competitors seeking to usurp London's pre-eminent position as the insurance centre of the world."

Turning to the 1978 accounts, details of which were reported on April 5, the chairman points out that the adverse underwriting result prevented the company from maintaining in real terms the level of profitability achieved in the previous year. Also the very small growth in pre-tax profits in monetary terms means that profit has not kept pace with the increase in premium income.

However, the profit retained was held at £21.9m and this helped to sustain the solvency margin. At December 31 this stood at 74 per cent, against 78 per cent the year before, the reduction being accounted for principally by investment market conditions.

Meeting, 1, Bartholomew Lane, EC, May 23 at 12.30 pm.

SHARE STAKES

Singapore Para Rubber Estates—Kuala Lumpur-Kepong Investments has sold 60,000 shares. Its beneficial interest has been reduced to 133,500 shares (5.11 per cent).

City of Aberdeen Land Association—Scottish Western Trust sold on April 17 195,500 shares reducing holding to 226,137. Mrs. S. R. Ledingham, wife of chairman of Aberdeen Land has bought 5,000 shares.

FT Share Service

The following securities have been added to the Share Information Service appearing in the Financial Times:

Rivington Reed 9½ per cent Conv. Cum Red. Pref. (Section: Textiles);

Tyler Corporation (Section: Overseas—New York).

ASSOCIATES DEAL

Rowe and Pitman, associates of Hambros Bank bought for Hambros Bank 10,000 Collett, Dickenson, Pearce International shares at 114p.

BBA cautious on forecast

Mr. D. M. Pearson, chairman of the BBA Group, still expects improvement in a number of areas in 1979, but points out that the road haulage strike has taken its effect.

Therefore, it would be unwise to base any forecast on the trading results for these early months, he says.

In 1978, the group's profit rose from £7m to £7.56m, which the chairman considers satisfactory. Automative activities accounted for 74.7 per cent of sales and 83.4 per cent of profits. Adjusted for inflation the profit comes down to £4.8m (£4.1m).

At the year-end planned capital expenditure was shown at £9.78m, of which £2.83m had been committed.

To celebrate its centenary this year, the company is establishing a trust fund for the benefit of employees and retired employees and their dependants, and £100,000 has been charged in the 1978 accounts.

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 27.4.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	10¼	10¾	10¾	11	11	11¼	11¼	11¼

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91, Waterloo Road, London SE1 8XP (01-928 7822, Ext. 177). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

LOCAL AUTHORITY BOND TABLE

Authority (telephone number in parentheses)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Knowsley (051 548 6555)	11¾	½-year	1,000	5-7
Poole (02013 5151)	10¾	½-year	500	5
Poole (02013 5151)	11¼	½-year	500	6-7
Redbridge (01-478 3020)	11¼	½-year	200	4-5
Redbridge (01-478 3020)	11¾	½-year	200	6-7
Reading (0734 55911)	13	maturity	1,000	5
Wrekin (0952 505051)	11	yearly	1,000	2-3

SIMCO MONEY FUNDS
Saturn Investment Management Co. Ltd.
CANNON STREET EC4N 6AE
Telephone: 01-236 1425

Rates paid for W/E 22.4.79

	Call % p.a.	7 day % p.a.
Mon.	11.679	11.913
Tues.	11.826	11.436
Wed.	11.964	11.445
Thurs.	11.955	11.461
Fri./Sun.	12.002	11.457

هكذا من الأصل

Akzo plans further cuts in Dutch fibre activities

BY CHARLES BATCHELOR IN AMSTERDAM

AKZO, the troubled Dutch chemicals group, plans a further cutback of its loss-making fibre activities in the Netherlands. This is expected to lead to the loss of several hundred jobs at factories in Emmen and Breda and will require Fl 150m ($75m) in Government aid.

Talks are being held with the Economics Ministry about the aid which is needed to modernise the plant at Emmen. The loss-making carpet yarn operation will be shut down and the manufacture of industrial polyester yarns will be doubled. About 500 of the 3,500 jobs at this plant will be shed by natural wastage over the next four to five years.

A study is being carried out of the loss-making texturising activities at Breda. A complete shutdown of this division would lead to a loss of half of the 800 jobs and would be unacceptable, so alternatives are being studied, Akzo said.

It is also considering further savings in its central research division where the shedding of 200 jobs is already planned.

After the break-down of the 1979 wage negotiations, the trade unions refused to meet the company's management earlier this week to discuss the reorganisation plan.

The restructuring of Enka has led to the shedding of nearly 4,000 jobs in the past two years and the Dutch and German fibre plants now employ around 27,000. Enka reduces its losses in 1978 but it still remained in the red.

It has not released detailed figures, although in 1977 the operating loss in the two countries was Fl 118m ($59m), while a further Fl 120m was set against restructuring costs. A further reduction in the losses is expected this year but no fundamental improvement is expected to occur.

Atlas Copco expects increase in sales

STOCKHOLM — Atlas Copco, the Swedish compressed air equipment maker, expects group sales to rise by between 12 and 14 per cent this year to around SKr 5.3bn ($1.2bn), Mr. Tom Wachtmeister, the managing director, told the annual meeting.

After allowing for inflation, the actual volume rise should be some 4 to 5 per cent, resulting in better capacity use, he said.

Last year, sales put on 14 per cent to SKr 4.7bn, with pre-tax profits slightly ahead at SKr 301m. Improved profitability was forecast for 1979.

Mr. Wachtmeister said that first quarter sales rose to SKr 1.14bn from SKr 1.06bn a year ago. The exceptionally hard winter in Europe and North America delayed exports by two to three weeks and added SKr 150m to the order backlog.

The slackening of sales growth naturally had an impact on first quarter profits, but Atlas Copco hopes to pull this back in the second quarter as deliveries catch up with incoming orders.

The group order inflow in the first quarter stood at a record SKr 1.35bn, against SKr 1.22bn last year, though the rate of increase was lower, since the first three months of 1978 benefited from the 1977 kroner devaluations, he said.

Reuter

Sandvik sees higher earnings

BY VICTOR KAYFETZ IN STOCKHOLM

SANDVIK, the Swedish cemented carbide and steel group, expects higher earnings this year as a result of improved output and productivity, although price rises are unlikely to cover increasing costs fully.

Pre-tax profits in 1978 slipped from SKr 471m to SKr 468m ($107m), with sales up from SKr 4.5bn to SKr 5.4bn ($1.2bn).

The group anticipates some slowdown later in the year in the rate of increase in orders, but 1979 turnover should reach about SKr 6.3bn ($1.4bn) a rise of 16 per cent on last year. The board has recommended a dividend of SKr 6.50, up from SKr 5.70 for 1977.

By 1982, Sandvik hopes to increase the proportion of its sales attributable to cemented carbibe products from 50 per cent to about 55 per cent, reducing steel products from 30 to 25 per cent.

The group has adjusted its planning for the first half of the 1980's to the assumption that world economic expansion will be slower than during the early 1970's, the annual report stated. Sandvik believes its sales will rise at an average 15 per cent annual rate until 1982, with half of this being a rise in volume.

Investments, which for some years have remained at about 10 per cent of group turnover, will be trimmed to roughly 7-8 per cent over the next few years.

Sandvik expects the share of its production volume originating outside Sweden to rise from the current 30 per cent to about 40 per cent by 1982.

Because cemented carbide will represent a growing proportion of sales and because stockpiles will be smaller in relation to turnover. Yield on working capital should improve.

Yield on equity capital after taxes peaked at 23.1 per cent in 1974 and then slid to 11.4 per cent in 1977 and further to 9.8 per cent last year.

But liquidity, which at the end of 1977 stood at SKr 481m, had jumped to SKr 823m a year later.

Winefood sees profit by 1980

MILAN—Winefood SpA, the Italian-based food group controlled by Credit Suisse, reported that its 1978 loss was "very close" to the L14bn ($16.58m) deficit suffered in 1977 and announced reorganisation plans designed to permit a return to profitability by 1980. Group turnover totalled L82bn last year, up 32 per cent from L62bn in the previous year.

AP-DJ

Lower result at Norcem

BY FAY GJESTER IN OSLO

NORCEM, the Norwegian producer of cement and building materials with interests in offshore oil activities, suffered a decline in profits in 1978, despite a rise in turnover, including exports.

The group invested NKr 343m in new plant and equipment during the year, in addition to acquiring several companies. Liquidity is satisfactory, and an unchanged dividend of 10 per cent is recommended.

Group turnover rose by around 19 per cent to over NKr 2bn, but new acquisitions accounted for two-thirds of the rise. Exports rose to NKr 477m from NKr 326m, including exports of cement and clinker worth NKr 249.6m against NKr 186.6m.

Group profits after extraordinary items, but before year-end allocations, fell to NKr 64.7m ($12.6m) from NKr 87.4m.

Finsider to raise $150m Eurocredit

FINSIDER, the Italian State steel concern, is raising $150m by way of an eight-year Eurocredit, carrying the guarantee of state holding company, IRI.

The spread is ⅝ per cent for the first two years, and ¾ per cent thereafter.

The manager is Kuhn, Loeb Lehman Bros. International, with DG Bank and Sanwa Bank acting as co-managers.

CURRENCIES, MONEY and GOLD

EMS decisions await elections

BY COLIN MILLHAM

THE season of elections is with us, and although interest in Britain naturally centres around the contest of May 3, there is also more than a passing concern about the outcome of the voting in Rhodesia.

Canada also goes to the polls in May, and elections are due in Italy and Austria, while Belgium has recently acquired a new Government under Prime Minister Wilfried Martens.

Several of these essentially political events may have implications for the future working of the European Monetary System, since Belgium, Italy, Austria and the UK have varying degrees of interest in the fledgling system.

The present Austrian administration has made it clear that it favours some type of formal links with the EMS, but has put off any decision until after the May election.

The Christian Democrats in Italy are expected to improve their position in the July voting and if this is the case the Italian election may prove less important to the EMS than some others.

Britain's election is likely to prove more interesting, since the more natural affinity of the Conservative Party to Europe is likely to bring UK membership of the system a step nearer, providing the Tories form the next Government.

Belgium held a general election last December, but after an inconclusive result, it took until the beginning of this month for a Government to be formed. M. Martens, who is M. Leo Tindemans' successor as Prime Minister, finds himself saddled with the problem of a relatively weak currency as far as the EMS is concerned.

The Belgian National Bank has been forced to draw on its ECU reserves to prevent the franc falling below its floor against the Danish krone.

In the three weeks to April 13 intervention to support the Belgian currency totalled BFr 4.404bn.

Denmark's interest rates are much higher than Belgium's, and there would appear to be a case for arguing that an upward shift in Belgian rates is called for.

GOLD

	Apr. 20	Apr. 19
Gold Bullion (fine ounce)		
Close	$235¾-236¼ (£114.1-114.4)	$240-240¼ (£115.5-115.8)
Opening	$237¼-238¼ (£114.8-114.8)	$239½-240¼ (£115.8-116)
Morning fixing	$237.80 (£114.861)	$241.00 (£116.161)
Afternoon fixing	$236.40 (£114.330)	$240.90 (£115.578)
Gold Coins, domestically		
Krugerrand	$256¼-260¼ (£124¼-126¼)	$262-266 (£126-128)
New Sovereigns	$65-67 (£31½-32½)	$65½-68½ (£30-32)
Old Sovereigns	$75¾-77¾ (£36½-37½)	$75¾-77¾ (£36½-37½)
Gold Coins, internationally		
Krugerrand	$242¾-244¾ (£117½-118½)	$248¼-250¼ (£119½-120½)
New Sovereigns	$61¼-63¼ (£29½-30½)	$62¼-64¼ (£30-31)
Old Sovereigns	$75¾-77¾ (£36½-37½)	$75¾-77¾ (£36½-37½)
$20 Eagles	$350-355	$349-354
$10 Eagles	$187-192	$187-192
$5 Eagles	$127-132	$127-132

CURRENCY RATES

April 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.616371	0.643808
U.S. $	9½	1.27595	1.33300
Canadian $	11¼	1.45684	1.52176
Austria Sch.	3¾	17.7995	18.5887
Belgian F	6	38.4538	40.1501
Danish K	8	6.75488	7.05759
D mark	4	2.42456	2.53371
Guilder	6½	2.62463	2.74066
French Fr	9½	5.56442	5.81523
Lira	10½	1079.46	1127.99
Yen	4¼	276.562	290.728
Nrwgn. K	7	6.58007	6.87830
Spanish Pes.	8	86.9790	91.0509
Swedish Kr	6½	5.60971	5.86295
Swiss Fr	1	2.19541	2.29330

OTHER MARKETS

Apr. 20	£	$		£ Note Rates
Argentina Peso	2454-2474	1185-1195	Austria	28¼-29¼
Australia Dollar	1.8680-1.8720	0.9040-0.9060	Belgium	63-64
Brazil Cruzeiro	48.60-49.60	23.50-24.00	Denmark	10.90-11.00
Finland Markka	8.27-8.29	4.0060-4.0080	France	8.97-9.07
Greek Drachma	—	—	Germany	3.85-3.95
Hong Kong Dollar	10.64-10.71½	5.1500-5.1600	Italy	1,725-1,765
Iran Rial	148.75-155	72-75	Japan	445-455
Kuwait Dinar (KD)	0.572-0.582	0.2779-0.2781	Netherlands	4.20-4.30
Luxembourg Frc.	62.35-62.45	30.16-30.18	Norway	10.60-10.70
Malaysia Dollar	4.5885-4.5965	2.2195-2.2315	Portugal	96-102
New Zealand Dlr.	1.9700-1.9760	0.9535-0.9560	Spain	140.75-143.75
Saudi Arab. Riyal	6.97-7.07	3.3790-3.3810	Switzerland	3.50-3.60
Singapore Dollar	4.5495-4.5595	2.2010-2.2030	United States	2.0775-2.0875
Sth. African Rand	1.7475-1.7575	0.8455-0.8505	Yugoslavia	40-44

Rate given for Argentina is free rate

THE DOLLAR SPOT AND FORWARD

April 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.0640-2.0780	2.0670-2.0680	0.32-0.22c pm	1.56	0.83-0.73 pm	1.51
Ireland†	2.0130-2.0200	2.0150-2.0190	0.65-0.50c pm	3.42	1.80-1.60 pm	3.37
Canada†	87.55-87.80	87.74-87.77	0.05-0.03c pm	0.55	0.11-0.08 pm	0.43
Nethlnd.	2.0555-2.0600	2.0580-2.0600	0.73-0.63c pm	3.96	1.72-1.62 pm	3.24
Belgium	30.13-30.18	30.16½-30.18	9¼-8¼c pm	3.48	23-21 pm	2.65
Denmark	5.2920-5.3050	5.3000-5.3025	0.50ore pm-par	0.56	0.40pm-0.10dis	1.13
W. Ger.	1.8990-1.9040	1.9025-1.9035	0.98-0.88pf pm	5.86	2.48-2.38 pm	5.11
Portugal	48.90-49.15	49.00-49.10	40-80c dis	−12.23	100-165dis	−10.88
Spain	68.25-68.40	68.30-68.35	30-40c dis	−6.15	75-85 dis	−4.68
Italy	845.15-846.50	845.90-846.30	0.70-1.10lire dis	−0.13	2.40-2.90dis	−0.12
Norway	5.1520-5.1580	5.1560-5.1570	0.80-0.30ore pm	1.28	1.60-1.10 pm	1.05
France	4.3590-4.3750	4.3710-4.3750	1.20-1.13c pm	3.24	2.85-2.75 pm	2.56
Sweden	4.3970-4.4000	4.3980-4.3990	0.50-0.40ore pm	1.36	1.55-1.45 pm	1.41
Japan	218.05-218.40	218.20-218.40	0.98-0.90y pm	5.17	2.78-2.68 pm	5.00
Austria	13.94-13.96	13.95½-13.96	7¼-6½gro pm	5.91	18½-16½ pm	5.01
Switz.	1.7180-1.7240	1.7220-1.7230	1.45-1.35c pm	9.75	4.03-3.93 pm	9.24

† UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

April 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.0640-2.0780	2.0670-2.0680	0.32-0.22c pm	1.57	0.83-0.73 pm	1.51
Canada	2.3525-2.3725	2.3550-2.3560	0.25-0.15c pm	1.02	0.70-0.60 pm	1.10
Nethlnd.	4.24½-4.27½	4.25½-4.26½	2½-1½c pm	5.63	5½-4½ pm	4.59
Belgium	62.25-62.55	62.35-62.45	30-20c pm	4.81	70-60 pm	4.17
Denmark	10.94-10.98	10.95¾-10.96¾	2¾-¾ore pm	1.92	5¼-3¾ pm	1.55
Ireland	1.0250-1.0300	1.0255-1.0265	0.08-0.18p dis	−1.52	0.40-0.55dis	−1.85
W. Ger.	3.92-3.95	3.93-3.94	3-2pf pm	7.62	6⅞-5⅞ pm	6.48
Portugal	100.90-101.70	101.00-101.35	50-110c dis	−9.49	140-240 dis	−7.51
Spain	141.15-142.00	141.20-141.30	20-90c dis	−4.67	90-170 dis	−3.68
Italy	1,747-1,752	1,749-1,750	1 lire pm-1 lire dis	par	1½ pm-½ dis	−0.11
Norway	10.85-10.89	10.87¼-10.88¼	3¼-1¼ore pm	2.53	7½-6½ pm	2.44
France	9.01½-9.04½	9.02½-9.03½	4¼-3¼c pm	4.98	10-9 pm	4.21
Sweden	9.09-9.12	9.09½-9.10½	2¾-¾ore pm	2.31	7-5 pm	2.64
Japan	448-455	451-452	2.70-2.40y pm	6.78	7.40-7.10 pm	6.42
Austria	28.80-28.90	28.83-28.88	20-10gro pm	6.24	50-40 pm	6.24
Switz.	3.55-3.58	3.56-3.57	3¾-2¾c pm	10.94	10-9 pm	10.66

Belgium rate is for convertible francs. Financial franc 63.35-63.45. Six-month forward dollar 1.38-1.28c pm; 12-month 2.15-2.05c pm.

EXCHANGE CROSS RATES

Apr. 20	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.068	3.935	451.5	9.030	3.565	4.260	1750.	2.356	62.40
U.S. Dollar	0.484	1.	1.903	218.4	4.368	1.724	2.060	846.2	1.139	30.18
Deutschemark	0.254	0.525	1.	114.7	2.295	0.906	1.083	444.6	0.599	15.86
Japanese Yen 1,000	2.215	4.579	8.715	1000.	20.00	7.896	9.435	3875.	5.217	138.2
French Franc 10	1.107	2.290	4.358	500.0	10.	3.948	4.718	1937.	2.609	69.10
Swiss Franc	0.281	0.580	1.104	126.6	2.533	1.	1.195	490.7	0.661	17.50
Dutch Guilder	0.235	0.485	0.924	106.0	2.120	0.837	1.	410.7	0.553	14.65
Italian Lira 1,000	0.572	1.182	2.249	258.1	5.161	2.038	2.435	1000.	1.346	35.67
Canadian Dollar	0.425	0.878	1.671	191.7	3.834	1.513	1.809	742.7	1.	26.49
Belgian Franc 100	1.603	3.313	6.306	723.6	14.47	5.713	6.827	2804.	3.775	100.

LONDON MONEY RATES

Apr. 20 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills Φ	Eligible Bank Bills Φ	Fine Trade Bills Φ
Overnight	—	5-13	—	—	—	12⅝	7-12	—	—	—
2 days notice	—	—	12-12¼	—	—	—	—	—	—	—
7 days or 7 days notice	—	12⅛-12¼	12⅛-12¼	—	12⅛	12⅝	11⅞-12	—	—	—
One month	12-11⅞	11⅞-12	11¾-12⅛	12⅛-12⅜	12⅛	12½	11¾	11⅜-11⅝	11⅝-12	12¼
Two months	11⅞-11⅝	11⅞-11⅞	—	11⅝-12	12⅜	—	11½-11⅝	11⅜-11⅝	11¾-11⅝	12⅛
Three months	11⅝-11½	11¾-11⅞	11½-11⅞	11¼-11⅝	12¼	12¼	11¼-11½	11⅜-11⅝	11⅝-11⅝	12
Six months	11⅝-11¼	11⅛-11⅛	11¼-11⅛	10¾-11	12	—	—	—	10⅞	11¾
Nine months	11⅛-11	11⅛-11⅛	—	11-11⅛	11¾	—	—	—	—	—
One year	11⅛-10⅞	11⅛-11⅛	10⅞-11¼	10⅞-11¼	11⅝	—	—	—	—	—
Two years	—	—	11¼-11⅝	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. * Long-term local authority mortgage rates nominally three years 11½-11¾ per cent; four years 11¾-11⅞ per cent; five years 11⅞-12 per cent. Φ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 11¾-11⅞ per cent; four-month trade bills 12 per cent.

Approximate selling rates for one-month Treasury bills 11⅞-11⅞ per cent; two-month 11½-11⅝ per cent; three-month 11⅜ per cent. Approximate selling rate for one-month bank bills 11¾ per cent; two-month 11¾-11⅝ per cent; and three-month per cent; and three-month 11½ per cent; one-month trade bills 12¼ per cent; two-month 12 per cent; and three-month 11¾ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13 per cent from April 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 9-9½ per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.4425 per cent.

MONEY RATES

NEW YORK	
Prime Rate	11.25-11.75
Fed Funds	10.0
Treasury Bills (13-week)	9.25
Treasury Bills (26-week)	9.34
GERMANY	
Discount Rate	4
Overnight Rate	5.15
One month	5.425
Three months	5.60
Six months	5.75
FRANCE	
Discount Rate	9.5
Overnight Rate	7
One month	6.8125
Three months	7
Six months	7.3125
JAPAN	
Discount Rate	4.25
Call (Unconditional)	5.3125
Bills Discount (three mth.)	5.625

PENDING DIVIDENDS

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published.

	Date	Announcement last year		Date	Announcement last year
Akroyd and Smithers	May 10	Int. 5.0	*London Utd.	Apr. 23	Final 2.10298
Allied Irish Banks	May 10	Final 4.5 fcst.	MEPC	May 24	Int. 1.5
*Amal. Metal	Apr. 23	Final 10.812	Marks and Spencer	May 3	Final 2.544
Avon Rubber	May 24	Int. 4.0	*Menzies (John)	Apr. 24	Final 1.34 fcst.
BOC Intnl.	May 24	Int. 1.65	*Mothercare	May 8	Final 1.904
*Bank of Ireland	May 17	Final 10	*Mowlem (John)	Apr. 26	Final 5.0
*Barrow Hepburn	Apr. 26	Final 1.9331	*Nat. and Comm. Bank	May 2	Int. 1.375
Bass Charrington	May 25	Int. 1.8	Newman Inds.	May 11	4.5 forecast
Beecham	May 25	Fnl 11.5575 fcst	*P & O	May 2	Final 3.542
Boots	May 18	Sec. int. 1.9183	Prop. of Hay's Wharf	May 25	Int. 1.564
*British Home Stores	Apr. 30	Final 3.473	Ranks Hovis McDougall	May 16	Int. 1.452
*British Sugar	May 3	Int. 1.85	*Ransome Hfmn. Pollard	May 22	Int. 1.44
*Brixton Estate	May 8	Final 0.862	*Rugby Portland Cement	Apr. 23	Final 1.809
Brockhouse	May 18	Int. 1.8	Sainsb'y (J.)	May 3	Final 3.987
Bunzl Pulp and Paper	May 18	Final 2.045	Scottish Nat. Trust	May 23	Int. 1.4
Cap. and C'nties Prop	May 26	Fnl 2.1105 fcst	Sears Hldgs.	May 4	Final 2.58
Cater Ryder	May 17	Final 14.70612	*Simon Engineering	Apr. 25	Final 5.0652
Coats Patons	May 16	Final 2.0872	*Spillers	Apr. 25	Sec. Int. 0.525
Courtaulds	May 25	Final 5.081	Smurfit (Jefferson)	Apr. 27	Final 4.867
Debenhams	May 15	Final 3.7628	*Tarmac	Apr. 27	Final 6.234
Dupont	May 17	Final 2.87115	*Telephone Rentals	Apr. 25	4.3
Eastern Produce	May 24	Final 3.03	*Tozer Kemsley & Millbourn	Apr. 24	Final 2.2702
*European Ferries	May 8	Final 1.8	Trafalgar House	May 16	Int. 2.83
French Kier	May 15	Final 1	*Travis and Arnold	Apr. 25	Final 3.1219
Furness Withy	May 16	Sec. Int. 4.671	*Trust Union	May 23	Final 2.0
*Gerrard Nat. Discount	Apr. 26	Final 4.171	UDS	May 4	Final 3.0
Hall (Matthew)	May 11	Final 5.322	United Scientific	May 9	Int. 3.0
*Hammerson Prop and Inv.	Apr. 27	Final 5.46	Vaux Breweries	May 12	Int. 1.485
Heath (C. E.)	May 16	Final 3.4291	*Vickers	Apr. 26	Final 5.0964
Hepworth (J.)	Apr. 21	Int. 0.72	Wadham Stringer	May 2	Final 1.21
International Paint	May 25	Final 1.812	Whessoe	May 19	Int. 1.97
Keyser Ullmann	May 24	Final 0.67	Whitbread	May 17	Final 2.7886
LWT	Mar. 30	Int 3.555	Wimpey (George)	Apr. 27	Final 0.8810
*Laing (J.)	Apr. 30	Final 1.869			
*Lloyds and Scottish	May 10	Int. 1.7			
*London and Northern	May 8	Final 1.2			

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves.

BASE LENDING RATES

A.B.N. Bank	12 %	■ Hill Samuel	§12 %
Allied Irish Banks Ltd.	12 %	C. Hoare & Co.	†12 %
Amro Bank	12 %	Julian S. Hodge	13 %
American Express Bk.	12 %	Hongkong & Shanghai	12 %
A P Bank Ltd.	12 %	Industrial Bk. of Scot.	12½ %
Henry Ansbacher	12 %	Keyser Ullmann	12 %
Associates Cap. Corp.	13 %	Knowsley & Co. Ltd.	13½ %
Banco de Bilbao	12 %	Lloyds Bank	12 %
Bank of Credit & Cmce.	12 %	London Mercantile	12 %
Bank of Cyprus	12 %	Edward Manson & Co.	13 %
Bank of N.S.W.	12 %	Midland Bank	12 %
Banque Belge Ltd.	12 %	■ Samuel Montagu	12 %
Banque du Rhone et de la Tamise S.A.	12½ %	■ Morgan Grenfell	12 %
Barclays Bank	12 %	National Westminster	12 %
Bremar Holdings Ltd.	13 %	Norwich General Trust	12 %
Brit. Bank of Mid. East	12 %	P. S. Refson & Co.	12 %
■ Brown Shipley	12 %	Rossminster	12 %
Canada Perm't Trust	12 %	Royal Bk. Canada Tst.	12 %
Cayzer Ltd.	12 %	Schlesinger Limited	12 %
Cedar Holdings	12 %	E. S. Schwab	13 %
■ Charterhouse Japhet	12 %	Security Trust Co. Ltd.	13 %
Choulartons	12 %	Shenley Trust	15 %
C. E. Coates	12 %	Standard Chartered	12 %
Consolidated Credits	13 %	Trade Dev. Bank	12 %
Co-operative Bank	*12 %	Trustee Savings Bank	12 %
Credit Lyonnais	12 %	Twentieth Century Bk.	13 %
The Cyprus Popular Bk.	12 %	United Bank of Kuwait	12 %
Duncan Lawrie	12 %	Whiteaway Laidlaw	12½ %
Eagil Trust	12 %	Williams & Glyn's	12 %
English Transcont.	12½ %	Yorkshire Bank	12 %
First Nat. Fin. Corp.	15 %		
First Nat. Secs. Ltd.	14 %		
■ Antony Gibbs	12 %		
Greyhound Guaranty	12 %		
Grindlays Bank	‡12 %		
■ Guinness Mahon	12 %		
■ Hambros Bank	12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9½%. 1-month deposits 9¾%.
† 7-day deposits on sums of £10,000 and under 9½% up to £25,000 10% and over £25,000 10½%.
‡ Call deposits over £1,000 9½%.
§ Demand deposits 9½%.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p	+ or −	Div. or Amount	Times Covered	Gross Yield	P/E Ratio
§95	F.P.	—	194	150	††Appl. Computer	162	+2	0.7	11.0	0.5	20.0
65	F.P.	20/3	174	68	Caledonian Hldgs.	174	......	♯7.5	1.6	6.3	14.8
**	F.P.	16/2	170	118	Hunting Assoc. Defd.	165	......	—	—	—	—
**	F.P.	9/2	44	31	M.Y. Dart Defd.	42	+1	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Am'unt Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
99¾	F.P.	—	99¾	99¾	Cleveland (County of) Var. Rate 1984	99¾	......
‡‡	—	—	53	52½	Eng. Assoc. Sterling Fd. Part. Red. Prf.	53	......
§100	F.P.	4/5	105p	103p	Grant (James) 10¾% Pref.	105p	......
96	£20	25/5	25	16½	ICFC 12½% Uns Ln 1992	24½	......
¶	F.P.	27/7	102	99	Lee Valley Water 8% Red. Prf. 1986	102	......
**	—	11/5	106p	105p	Lyles (S.) 11% Cum. Pref.	106p	......
72½	—	—	79	70½	MEPC 5½% Conv. Uns. Ln. 1995-2000	77½xd	......
**	F.P.	26/4	108p	106p	Tricoville 10¾% Pref.	106p	......

"RIGHTS" OFFERS

Issue Price p	Am'unt Paid up	Latest Renunc. Date ●	Latest Renunc. Date ☐	1979 High	1979 Low	Stock	Closing Price p	+ or −
200c	Nil	—	—	10pm	4pm	Abercom Invs.	7pm	+3
12	Nil	27/4	18/5	8½pm	4½pm	Armour Trust	6pm	−½
186	Nil	—	—	42pm	37pm	Beatson Clark	37pm	−1
115	F.P.	30/3	20/4	160	147	Brammer (H.)	159	......
60	F.P.	6/3	27/3	89	68	Burco Dean	82	......
88	F.P.	30/3	27/4	117	97	Cement-Roadstone	97	−2
80	Nil	27/4	1/6	78½pm	72pm	Crest Nicholson	72pm	−2
33	F.P.	22/3	4/5	48½	38	Hirst & Mallinson	47	−1
185	F.P.	23/3	18/5	255	210	Johnson Matthey	252	−1
5p	Nil	—	—	7pm	5pm	Maddock	4pm	−1
34	F.P.	24/4	12/6	59pm	49pm	Norfolk Cap. Hotels	49	−½
44	F.P.	19/4	31/5	74pm	69pm	Park Place Invs.	69	+2
20	Nil	27/4	15/5	9pm	7½pm	Singlo Holdings	8½pm	−½
100	Nil	27/4	18/5	20pm	15pm	Unicorn Inds.	18pm	−2

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. ♯ Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. ☐ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✻ With warrants. †† Unlisted security.

Public Works Loan Board rates

Effective from April 7

Years	Quota loans repaid by EIP†	Quota loans repaid At‡	Quota loans repaid at maturity§	Non-quota loans A* repaid by EIP†	Non-quota loans A* repaid At‡	Non-quota loans A* repaid at maturity§
Up to 5	10½	10½	10⅝	11¼	11⅛	11⅜
Over 5, up to 10	10⅞	10⅞	11⅜	11⅜	11½	12⅛
Over 10, up to 15	11⅛	11⅛	11⅜	11¾	12⅛	12⅛
Over 15, up to 25	11⅜	11⅜	11½	12⅛	12⅛	12¼
Over 25	11⅜	11⅜	11½	12¼	12¼	12¼

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

CORAL INDEX: Close 543-548

INSURANCE BASE RATES

† Property Growth	11½%
† Vanbrugh Guaranteed	10.12%

† Address shown under Insurance and Property Bond Table.

INSURANCE

New cover scheme pays assessors' fees

BY OUR INSURANCE CORRESPONDENT

PEOPLE OFTEN feel that insurers search for "small print" so as to pare down a claim when it is presented. Naturally, insurers cannot afford to be too lavish with their claims settlements, but most large, well-known companies realise their business is paying claims, and that their reputation depends on keeping policy holders and brokers happy on that score.

Usually, if an insured company has a significant claim, the insurers will appoint a firm of adjusters. Some people feel that standards among lower levels of staff in adjusters' firms are not what they were, but probably adjusters are not alone in that. Certainly, this allegation is levelled often at insurers themselves.

Impartial

An adjuster is a professional in the whole field of claims settlement. Although retained by the insurers (and barred from accepting payment from policy holders), he must be impartial. Insurers normally view the appointment of independent adjusters as an equitable approach for them and their policy holders.

But if an insured company with a claims problem wants somebody on its side to help in negotiations (where the insurance broker which placed the business is unwilling or unable to do so), there are loss assessors. Their standards of practice vary. Some are said to be so well-organised that they can be at a fire to offer their services before the fire brigade arrives.

Insurers providing material damage and business interruption insurance have stoutly resisted meeting the fees of assessors. If an insured company wants to employ an assessor, it must pay the fees itself.

Within insurance, there is always scope for innovation. An idea from a firm of brokers has been taken up by a relatively small insurer, Federation General Insurance, owned by a major French reinsurance group.

Federation General, mainly through brokers, offers insurance to cover loss assessors' fees for claims made on material damage and business interruption policies issued to companies by other insurers.

It has compiled a list of "approved" assessors, and the cover applies only to fees from them. Federation General has drawn up not only an agreed fee scale to be charged by these assessors, but also a code of conduct. Assessors must stick to it to be approved. Several assessors on the list are, perhaps, better known as valuers, as members of the Royal Institution of Chartered Surveyors or the Incorporated Society of Valuers and Auctioneers, and bound, in addition, to their disciplinary codes.

Under the insurance, there is an excess of £100, to eliminate small claims and keep the insured company need pay no insurance cost reasonable. An more, unless average is applied to the fire or business interruption cdlaim on which the fee is based. If that happens, the insured firm's contribution to the assessors' fee will be in the same proportion.

Not cheap

This insurance is not exactly cheap. For simplicity, rating has been geared to existing fire and/or business interruption premiums. Normally, depending on individual circumstances, the premium for loss assessors' fees will range from 10 per cent of the fire and business interruption premium cost, down to about 5 per cent for the larger cases.

Federation General has said that premium adjustments will be made retrospectively at the end of each period of insurance. They will be based on changes to existing fire and/or business interruption premiums in that period, so avoiding mid-term alterations.

This appears to be a new departure for the British insurance market, and may appeal to some insured companies. But it may not have unqualified support from many major insurers. Nevertheless, should this type of business prove profitable, it is unlikely to remain just one company's monopoly for long.

APPOINTMENTS

Furness Withy reorganisation

FURNESS WITHY is to integrate the group's wholly-owned ship-owning interests and operations into one company, Furness Withy (Shipping). The following Board will, from May 1, assume responsibility for the activities of the existing general shipping and bulk shipping divisions: Mr. J. E. Keville, chairman and managing director; Mr. P. S. Edwards, finance director; Mr. J. J. Gawne, director (non-executive); Mr. W. E. Kirkbride, director and general manager; Mr. B. P. Shaw, director (non-executive); Mr. H. Suffield, director (liner trades); and Mr. P. J. Warwick, director (bulk trades).

The long-established trading names of the various well-known Furness Withy companies will not change. Manchester Liners will continue to manage its own operations.

With the formation of the new organisation Mr. J. J. Gawne will assume additional responsibilities as an executive director of Furness Withy, while remaining non-executive chairman of The Pacific Steam Navigation Company and a Furness Withy representative on outside bodies.

★

Mr. Poul J. Svanholm, a Danish lawyer and head of Carlsberg and Tuborg's international brewing activities, has been appointed chairman of CARLSBERG BREWERY in the UK and the three British distribution companies. He succeeds Mr. A. W. Nielsen. Mr. Svanholm has been president and chief executive of Carlsberg since 1974. He expects to visit Britain every two months.

★

Mr. James A. Mills has joined the partnership of FIELDING NEWSON-SMITH AND CO., stockbrokers, from today.

★

Mr. Jonathan Morley Cooper has been appointed a director of the UK division of BAIN DAWES. He will continue as managing director of Bain Dawes (Western).

★

Mr. Bev Hulbert has been appointed director and general manager of Apton, a member of the Dexion Group of companies, which specialises in projects in the office, shopfitting and display fields.

★

Mr. Ralph A. Jacobs, chairman of IRD Mechanalysis (Europe) and managing director of IRD Mechanalysis (UK), Chester, has been elected to the Board of IRD MECHANALYSIS of Columbus, Ohio. Mr. Jacobs joined the UK company in 1974 with overall responsibility for European operations. Since that time his responsibility has expanded to include Eastern Europe, the Middle East and India.

★

Two directors have been been appointed by ROBERT MORTON (DG), Burton-on-Trent, specialist brewery engineers within the Lindustries Group. Mr. Ralph Haswell has been made works director and Mr. Roger J. Nelson becomes director for special projects associated with the company's expansion programme.

Mr. C. I. Ridgway has been appointed managing director of RHODES INTERFORM, the Lindustries company responsible for marketing a range of metal forming machinery, principally manufactured by Joseph Rhodes and Sons, Cowlishaw Walker and Co., and Coil Machinery (Comac). He succeeds Mr. Charles Middlemiss who retires at the end of the year.

★

Mr. Ray Blunt has been appointed chairman of WEST'S PROCHEM, the Darlington-based process engineering company. He was previously managing director. The company's technical director, Mr. Michael Elsip, has been appointed managing director. Mr. George Wells, becomes a director. He was previously financial controller. Mr. Bob Crichton will become engineering director on July 1.

TEL AVIV

Company	Prices April 22 1979	Change on the week
Banking, insurance and finance		
Bank Leumi le Israel	339	+ 2.0
IDB Bankholding	416	+ 4.0
Bank Hapoalim Br.	594	+ 5.0
Union Bk. of Israel Br.	318	− 2.0
United Mizrahi Bank	224	+ 2.0
Hassneh Insurance Br.	353	+ 3.0
General Mort. Bk. Br.	250	+ 4.0
"Tefahot" Isrl. Mt. Bk.	336	+ 3.0
Land Development		
Africa Israel Inv. IE10	968	− 2.0
Israel Land Devpt. Br.	205	− 15.0
Property and Building	331	+ 18.0
Public Utility		
Israel Electric Corp.	385	+ 8.0
Investment Companies		
Bank Leumi Invest.	359	+ 34.0
"Ci'al" Israel Invest.	475	− 23.0
Discount Invest.	295	− 2.0
Commercial and Industrial		
Alliance Tire & Rubber	1,425	—
Elco Br.	223	− 2.0
Argaman Textile Br.	299	+ 2.0
"Ata" Textile "B"	193	+ 9.5
Amer. Israeli Ppr. Mills	767	+ 20.0
Assis	272	− 8.0
Elite	217	+ 2.0
Teva Reg.	523	+ 8.0
Fuel and Oil		
Delek	196.5	− 0.5

Source: Bank Leumi le Israel BM, Tel Aviv.

WORLD STOCK MARKETS

Indices

NEW YORK — DOW JONES

	Apr. 20	April 19	Apr. 18	Apr. 17	Apr. 16	Apr. 12	1979 High	1979 Low	Since Compil'tn High	Since Compil'tn Low
◆ Industr'ls	856.58	855.25	860.27	857.85	860.45	878.50	878.72 (18/4)	807.00 (27/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	84.12	84.14	84.06	84.27	84.21	84.35	85.50 (2/2)	84.06 (18/4)	—	—
Transport.	231.81	231.83	232.62	230.95	251.25	235.55	235.25 (10/4)	205.78 (27/2)	279.88 (7/2/69)	12.28 (8/7/32)
Utilities	102.74	105.35	105.84	105.04	105.78	105.72	104.34 (6/4)	99.10 (2/1)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol 000's	28,690	31,530	29,550	25,590	25,190	28,919	—	—	—	—

◆ Day's high 861.57 low 848.93

	Apr. 12	Apr. 6	Mar. 30	Year ago (approx)
Ind. div. yield %	5.68	5.65	5.74	5.86

STANDARD AND POORS

	Apr. 20	April 19	Apr. 18	Apr. 17	Apr. 16	Apr. 12	1979 High	1979 Low	Since C'mpil't'n High	Since C'mpil't'n Low
‡Indust'ls	112.59	112.55	115.46	112.97	112.75	113.72	116.69 (9/1)	107.08 (27/2)	134.64 (11/1/73)	3.52 (30/6/32)
§Composite	101.23	101.28	101.78	101.24	101.12	102.06	103.34 (18/4)	98.15 (27/2)	125.85 (11/1/73)	4.40 (1/6/32)

	Apr. 18	April 11	April 4	Year ago (approx).
Ind. div. yield %	5.10	5.08	4.97	5.14
Ind. P/E Ratio	8.60	8.67	8.70	8.94
Long Gov. Bond Yield	9.04	9.06	8.99	8.30

N.Y.S.E. ALL COMMON

Apr. 20	April 19	Apr. 18	Apr. 17	1979 High	1979 Low
57.09	57.09	57.35	57.05	58.18 (10/4)	53.88 (27/2)

Rises and Falls	April 20	Apr. 19	Apr. 18
Issues Traded	1,872	1,900	1,885
Rises	661	604	933
Falls	720	819	498
Unchanged	491	477	454
New Highs	—	48	50
New Lows	—	18	15

	Apr. 20	April 19	Apr. 18	Apr. 17	1979 High	1979 Low
MONTREAL Industrial	244.38	245.01	244.29	244.48	250.91 (27/3)	218.19 (2/1)
MONTREAL Combined	248.89	248.41	247.37	247.77	250.58 (6/4)	225.88 (2/1)
TORONTO Composite	1464.2	1463.8	1458.8	1455.5	1475.1 (6/4)	1315.8 (2/1)
JOHANNESBURG Gold	244.8	245.3	252.8	228.4	280.7 (7/2)	228.4 (17/4)
JOHANNESBURG Industrial	312.8	311.8	310.6	301.7	325.0 (5/4)	279.5 (2/1)

	Apr. 20	Previous	1979 High	1979 Low
Australia (¶)	569.42	572.57	597.88 (19/3)	545.72 (2/1)
Belgium (‖)	106.16	108.54	106.58 (9/4)	98.80 (3/1)
Denmark (**)	96.36	96.65	96.36 (20/4)	88.32 (8/1)
France (††)	80.2	79.5	80.2 (20/4)	71.5 (15/2)
Germany (‡‡)	790.88	797.5	833.6 (16/1)	774.2 (28/3)
Holland (§§)	77.8	77.7	85.9 (24/1)	75.8 (21/3)
Hong Kong (¶¶)	554.47	550.54	568.90 (6/2)	495.83 (2/1)
Italy (‖‖)	72.88	75.60	78.46 (26/3)	68.38 (2/1)
Japan (a)	445.41	442.79	462.97 (31/1)	435.22 (10/4)
Singapore (b)	382.51	381.58	387.66 (11/4)	346.34 (25/2)
Spain (d)	—	102.74	111.86 (8/3)	93.08 (12/1)
Sweden (c)	385.61	368.71	401.34 (6/2)	362.05 (2/1)
Switzerld (f)	321.1	321.3	321.7 (17/4)	294.9 (3/2)

Indices and base dates (all base values 100 except NYSE All Common—50; Standards and Poors—10; and Toronto 300—1,000; the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Industrials, 40 Utilities, 40 Finance and 20 Transport. ¶ Sydney All Ordinary. ‖ Belgian SE 31/12/63. ** Copenhagen SE 1/1/73. †† Paris Bourse 1961. ‡‡ Commerzbank Dec. 1953. §§ Amsterdam Industrial 1970. ¶¶ Hang Seng Bank 31/7/64. ‖‖ Banca Commerciale Italiana 1972. a Tokyo New SE 4/1/68. b Straits Times 1966. c Closed. d Madrid SE 29/12/78. e Stockholm Industrial 1/1/58. f Swiss Bank Corporation. u Unavailable.

EUROPE

AMSTERDAM

[illegible]

BRUSSELS/LUXEMBOURG

[illegible]

COPENHAGEN ◆

[illegible]

VIENNA

[illegible]

GERMANY ◆

[illegible]

MILAN

[illegible]

OSLO

[illegible]

PARIS

[illegible]

SPAIN ♥

[illegible]

STOCKHOLM

[illegible]

SWITZERLAND ◆

[illegible]

TOKYO ¶

[illegible]

Source: Nikko Securities, Tokyo

HONG KONG

[illegible]

BRAZIL

[illegible]

Source: Rio de Janeiro SE.

AUSTRALIA

[illegible]

JOHANNESBURG

[illegible]

Financial Rand U.S.$0.77½ (Discount of 34½%)

NOTES: [illegible]

WALL STREET

NEW YORK

[illegible]

CANADA

[illegible]

INTERNATIONAL BONDS

BY FRANCIS GHILES

Eurobonds clear another hurdle

ANY FEARS the international bond markets may have harboured about the imminence of a rise in U.S. interest rates were largely laid to rest in the wake of the meeting of the Federal Reserve's open market committee last Wednesday.

The FOMC meeting had been regarded as another stiff hurdle for fixed-interest dollar bonds in both New York and Europe. But, in the event, the Fed appears to have forgone the chance of a fresh tightening of monetary restraint.

The dollar market's undertone remained firm but prices did not move up by more than ¼ to ½ of a point. Investors remain cautious but psychologically the tide is turning in favour of the dollar. Yield differentials between dollar and Deutsche-Mark denominated paper alone are not keeping investors away from DM paper. The feeling is growing steadily that the dollar has settled down to a level at which it can be expected to remain. Conversely there is little hope of currency gains for investors in DM and Swiss Franc paper.

New dollar issues reaching the market last week were performing satisfactorily in the secondary market. One outstanding success was the $100m issue for the Kingdom of Sweden which after being priced at 99½ was quoted in its first day of trading last Friday at 98¾-99¼.

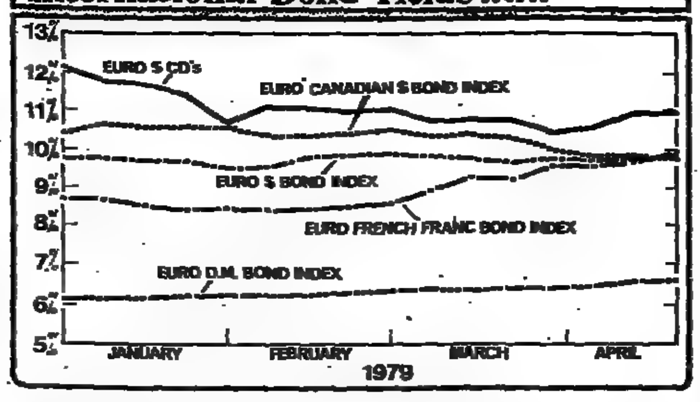
Of the two new issues launched over the weekend, $40m for Avco and $35m for Olivetti, the latter came in for some sharp criticism. It offers a coupon of 9¾ per cent for seven years and with a final price of 99½, yields 9.90 per cent, only three basis points above the yield on the Kingdom of Sweden bond and 28 basis points above the yield on the recent Electricite de France issue. Yet the difference in quality between Olivetti and the other two bonds is considerable.

Regarding the terms of the Avco issue, on the other hand, a coupon of 10¼ per cent for eight years is in line with market expectations.

A $50m Floating Rate Note for Jugobank is expected through Daiwa later this week.

In Deutsche-Mark, prices retreated by an average ¼ point. While Mitsubishi Chemical's DM70m issue was well received, the same cannot be said of the Barclays Bank International DM100m offering. The indicated coupon of 6¾ per cent was considered by many German bankers as too tight if set against a background of rising domestic and foreign Deutsche-Mark bond rates.

International Bond Yields......



Despite the issue being priced at 99 instead of the indicated 99½, the bonds fell to a 2½ point discount during the first day of trading last Friday.

Three other new issues were announced in this sector, a DM200m band for Tokyo Electric, DM100m for the Council of Europe and a DM150m offering for Argentina.

The DM outlook is not optimistic. German rates are expected to move up and the terms of the imminent DM500-600m domestic bond should give an indication of the new level of interest rates needed to attract investors. In fact a coupon of 7¼ per cent for the eight-year tranche and 7½ per cent for the 12-year tranche is widely anticipated.

A recovery in the Swiss Franc sector saw prices move up across the board, by up to 2½ points.

The three major Swiss banks decided last Thursday to limit the number of public Swiss Franc denominated bonds to eight for the next two months. The first issue will be on May 2 and no single issue, with the exception of offerings for the World Bank will amount to more than SwFr 100m. The public issue market was frozen by the big three banks on March 23.

The yield structure on new Swiss Franc public issues is expected to be around 4½ per cent for a prime European name with a maturity of 10-12 years.

Swiss Franc - denominated Japanese convertibles are expected to continue as demand remains good: the next one should be for Citizen Watch, through Julius Baer.

In the Canadian dollar sector, prices were steady with turnover described by dealers as good. A new issue for the Municipal Finance Authority of British Columbia was announced early in the week, while a C$10m ten year offering for Bank of British Columbia is due through Wood Gundy. The indicated coupon is 10¼ per cent.

In the sterling sector, prices fell during the week, in line with a weaker gilt-edged market and falling currency.

The FFr 130m issue for Saint Gobain Pont a Mousson was well received and is expected to be priced at par.

The next European Unit of Account offering is expected to be launched this week for the City of Copenhagen through Kredietbank Int. Group. The amount will be EUA25, the maturity 12 years and the indicated coupon 8½ per cent.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡Itel	40	1993	9.8	10½	99	Kidder Peabody, CSFB	10.64
‡Nova Scotia Power (g'teed Prov.N. Scotia)	50	1989	7.95	9½	99½	McLeod, Young, Weir Int.	9.83
Hydro Quebec (g'teed Prov. Quebec)	75	1999	¶	10	*	Crédit Suisse First Boston	*
‡NTT	75	1989	8.9	9½	100	Swiss Bank Corp. (Luxem.)	9.5
‡‖Sweden	100	1989	¶	9¾	99½	Nomura, S. G. Warburg	9.87
EIB	75	1989	8.15	9¾	100	KFTCIC	9.75
‡††Bank Hapoalim	50	1984	5	6⁰	100	N. M. Rothschild	6.09⁰
Avco	40	1987	¶	10¼	100	Kidder Peabody	10.25
‡Olivetti	35	1986	7	9¾	99½	Société Générale	9.90
D-MARKS							
‡Mitsubishi Chemical (g'teed Mitsubishi Bk.)	70	1984	5	6½	100	Deutsche Bank	6.5
Barclays Bank Int.	100	1989	10	6¾	99	Dresdner Bank	6.89
Tokyo Electric	200	1985	6	6½	*	WestLB	*
Council of Europe	100	1989	7	7¼	*	BHF-Bank	*
Argentina	150	1989	8	7½	99½	Deutsche Bank	7.575
SWISS FRANCS							
‡**§Mitsubishi Electric	80	1984	—	3¾	100	UBS	3.79
‡**§Clarion	60	1984	—	4	100	SBC	4.0
‡**§Fujitsu	80	1984	—	3½	100	Crédit Suisse	n.a.
‡**§Makino Milling	25	1984	—	3¾	100	Banca del Gottardo	3.79
‡**Fuji Oil (g'teed IBJ)	40	1984	n.a.	4	99½	Handelsbank NW	4.12
‡**Autopistas Con.	100	1986	n.a.	4¾	100	Creafin SA	4.875
CANADIAN DOLLARS							
‡Royal Bank of Canada	40	1986	7	10	100½	Orion, RBC Trust	9.90
‡Royal Bank of Canada	40	1994	12.9	10	100	Orion, RBC Trust	10.0
First Canadian Inv. (g'teed Bk. of Montreal)	50	1984	5	10	*	UBS (Securities)	*
Mun. Fin. Auth. Br. Columbia	24	1989/99	—	10¼	*	CCF, A. E. Ames	*
FRENCH FRANCS							
St. Gobain	130	1986	7	9¾	100	BNP	9.75
KUWAITI DINARS							
Norges Kommunalbank (g'teed Norway)	12	1989	7½	7¼	*	KIC	*
Occidental	7	1987/91	—	8½	*	KIIC	*
LUXEMBOURG FRANCS							
‡**TVO (g'teed Finland)	250	1986	7	8½	100	Kredietbank Luxem.	8.5

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ⁰ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. ‖ $65m registered with Japanese Ministry of Finance. Note: Yields are calculated on AIBD basis.

U.S. BONDS

BY STEWART FLEMING

Stable summer for money markets

THE CHAIRMAN of the Federal Reserve Board, Mr. G. William Miller, made it clear last week that he is firmly opposed to tightening credit conditions in the U.S. at present. Indeed, if his remarks are to be taken at face value, the U.S. money and bond markets could be facing two months or more of relative stability.

Mr. Miller, however, is not the only one with a finger in the economic policy pie and the markets remain to be convinced of the implications of what he seemed to be saying.

In the wake of last week's meeting of the Federal Open Market Committee (FOMC), the central bank's monetary policy arm, Mr. Miller once again indulged his penchant for crystal ball gazing.

He suggested that it would take a second quarter annualised rate of growth in gross national product of over 2½ per cent to force the Fed into tightening credit. By Friday he was giving himself much more room for manoeuvre by saying the critical figure was a 3 per cent rise in GNP in the first half.

In either case the implication is that the chairman does not favour moves to tighten credit for at least two months, since it will be at least that long before any intelligent estimates can be made about the level of activity in the economy.

In the meantime it would seem Mr. Miller envistages sticking to the policy set at the FOMC meeting. The markets are convinced that at that meeting the Central Bank Committee supported the Fed chairman and decided to stick with the 10 per cent target for the average weekly rate on federal funds which it has been aiming at all year.

In the days before and after that meeting however, it became clear that top economic policymakers are divided about the best tactics to follow in pursuit of the central strategy of slowing an unacceptably high rate of inflation while avoiding, if possible, recession.

Some top officials of the Carter administration, among them Mr. Michael Blumenthal, were arguing that tighter credit was needed to curb inflation. Mr. Miller made it clear before the Fed Committee met that he does not share this view but believes that the economy is slowing down already. On Friday, however, it emerged with the publication of the minutes of the previous (February) meeting of Mr. Miller's Open Market Committee, that the Fed itself was divided. Four of the 10 open market committee members present voted then for tighter credit.

The reaction for the money and bond markets to the week's developments indicates that Wall Street is as divided as the Government policymakers. As one dealer put it "there is such disbelief that our ills have been cured that periods of stability are viewed as plateaux, not peaks."

When it became clear at the beginning of the week that the anticipated shift to tighter credit was not to take place, the previous week's rise in short-term interest rates reversed itself. By Friday rates on three-month treasury bills for example had fallen around 40 basis points to about 9.30 per cent and other money market rates had retreated a similar amount.

Through the week prices of long-dated treasury issues firmed by around one quarter point (dealers are anticipating a restricted supply of new long treasury issues in the next few weeks) and the corporate market remained virtually unchanged.

Beyond the fact that the Fed's monetary policy appears unchanged following last week's FOMC meeting, a number of things are clear.

In spite of the sharp slowdown in the growth of first quarter GNP, there is no consensus about whether the economy is slowing or gathering pace again. Some economists suggest that economic activity was picking up smartly in March and expect this to continue.

The contrary view, that the economy is slowing and inflationary pressures easing, is held just as strongly by other Wall Street economists who now anticipate a rally, particularly in the government market.

EURO-CDS

BY MARY CAMPBELL

U.S. banks shorten the book

THE FIGURES on Eurodollar certificates of deposit (CD) last week highlight a sharp shift in U.S. banks' funding arrangements during the first quarter of this year.

The statistics showed a big drop both in U.S. bank Eurodollar CDs outstanding and in their London deposits generally. They caused widespread surprise because the narrowing of interest rate differentials between domestic and external dollars combined with the changes in U.S. reserve requirements last year had been expected to cause U.S. banks to borrow substantial sums externally or import back to the U.S.

Dealers had reported that also from February onwards U.S. banks were again beginning to cover themselves against any further sharp rises in interest rates by taking in longer term funds by CD issues.

Until the latest Eurodollar figures these arguments looked seductive, because there had been a significant rise in U.S. bank Eurodollar CDs between January and February. But the fall since then suggests that the dominant factor in U.S. banks' activity this year has been the shortening of the maturity of their overall funding positions in the expectation that rates would fall.

Outstanding U.S. bank Eurodollar CDs fell to $14.3bn on March 21 (the latest reporting date) from $15.7bn in mid-February and $15.5bn in mid-December. In the U.S., outstanding CD issues have fallen from a peak of around $100bn last December to under $90bn in the latest reporting week (to April 11). This has happened despite continuing strong loan demand in the U.S.

Analysts say the cause is changing interest rate trends and expectations towards the end of 1978 the Iranian crisis had created renewed fears of a run on the dollar and of a further sharp rise in dollar rates to protect the currency. U.S. banks, the argument runs, covered themselves against the possibility of further rises by funding themselves in the relatively long form of CD issues at the close of the year.

In fact the interest rate rise failed to materialise and the customary fall in rates happened after the end of the year.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bayer Int. F. XW 7¾ 89	200	84	84	+0	−0	9.77
CECA 9½ 84-99	50	96	96	0	0	9.79
Canada 9 83	400	97	98	−0	+0	9.79
Canada 9¼ 98	350	96	97	−0	+0	9.82
Dow Chem. O/S 9⅝ 94	200	97	97	0	−0	9.95
EIB 9⅛ 98	125	94	95	0	0	9.92
EIB 9⅞ 98	150	99½	100	0	0	9.90
EIB 9⅞ 99	100	100	100	0	+0	10.09
Export Dv. Cpn. 9.85 84	150	100	101	0	+0	9.84
Export Dv. Cpn. 9⅝ 84	100	97	98	0	+0	9.81
Eksportfinans 9 86	50	96	96	0	+0	9.69
Finland 9 88	100	95	95	−0	+0	9.98
Finland 9⅞ 86	100	97	98	0	+0	9.93
GTE Fin. 9½ 84	50	98	98	0	+0	9.92
Gould Int. Fin. 9⅞ 85	50	99½	100	0	+0	9.80
Hospital O/S 9 83	25	97	98	+0	+0	9.59
Hudson Bay Co. 10 94	50	100	101	0	+0	9.88
Ital Finance 9¾ 90	30	94	94	0	−0	10.62
J. C. Penney 8½ 83	100	96	96	0	−0	9.55
Manitoba 9½ 89	75	97	97	0	0	9.90
New Brunswick 9⅞ 94	75	98	99	0	+0	9.97
Newfoundland 10 94	50	99	99	0	+0	10.04
Norsk Hydro 9⅝ 94	50	95	95	0	+0	9.81
Norway 9⅞ 84	150	100	100	0	0	9.87
Portland 10 84	50	97½	98	+0	0	10.60
Redland Fin. XW 9¼ 91	25	93	93	0	0	10.51
Sears Roebuck 9 82	150	98	98	−0	0	9.61
Stockholm 9¾ 94	60	99	100	+0	+0	9.97
UK 8⅞ 93	150	95	96	−0	0	9.63

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
American Ex. Int. 5½ 87	70	92	93	−0	−0	6.68
Argentina 6½ 88	150	93	93	−0	+0	7.45
Australia 6 88	250	96	96½	−0	−0	6.54
Austria 5⅞ 90	150	91	91	−0	−0	6.83
Banco Desarrollo 7¼ 86	100	96	97	−0	−1	7.87
Bankamerica 5⅞ 90	150	92½	93	−0	0	6.66
Bq. Ext. Algerie 7⅞ 85	100	97	97	0	+0	7.74
Brazil 7¼ 87	150	99	99	−0	−0	7.31
CECA 6 88	150	94	95	−0	−0	6.74
Ch.-Manhttn. O/S 6 93	100	96	97	−0	−0	6.32
Copenhagen City 6 90	75	91	92	−0	−0	7.03
Council of Europe 6⅞	130	95	96	−0	−0	6.85
Denmark 5⅞ 85	100	96	96	−0	−0	6.52
Denmark 6½ 89	100	96	96	−0	−0	7.00
EIB 6 90	300	92	92	−0	−0	6.99
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Nordic I. Bk. 9 84 SDR	20	98½	99½	0	+0	9.26
Auto Cote B. 7 93 EUA	16	91	93	0	0	7.91
Komm. Inst. 7½ 93 EUA	15	97	98	0	0	7.71
Panama 8⅞ 93 EUA	20	96	97	+1	+1	8.69
SOFTE 8¾ 89 EUA	40	98	98	−0	−0	8.80
Algemene Bk. 8½ 83 Fl	75	96	96½	0	0	7.38
CFE Mexico 7¾ 83 Fl	75	97	98	−0	−0	8.31
EIB 7⅞ 85 Fl	75	[illegible]	98	0	0	8.27
Ned. Middbk. 8¼ 84 Fl	75	100	100	+0	+0	8.15
New Zealand 8⅞ 84 Fl	75	94	94	0	0	8.08
Norway 8⅞ 84 Fl	100	100	101	−0	−0	7.96
Elf Aquitaine 9⅞ 88 FFr	150	98	99	0	−0	9.92
EIB 9¾ 88 FFr	200	99	99½	0	0	9.86
Norway 9¼ 84 FFr	[illegible]	98	99	0	−0	9.37
PSA Peugeot 9⅞ 87 FFr	175	99	99	0	−0	9.65
Solvay et Cie 9⅞ 87 FFr	125	99	99	0	0	9.87
Total Oil 9⅞ 87 FFr	150	97	97	−0	−0	9.84
Unilever 10 85 FFr	100	100	101	0	0	9.71
CECA 9⅞ 89 £	20	90	91	−0	−0	11.12
Citicorp 10 93 £	20	90	90	−0	−1	11.41
EIB 9⅞ 88 £	25	95	96	−0	−1	10.55
Finance for Ind. 13 91 £	15	104	104	−0	−1	12.29
Gen. Elec. Co. 12½ 89 £	50	102	102	−0	−1	12.09
RAT 8 88 LuxFr	250	97	98	0	+0	8.33
Bayer Lux. 8 86 LuxFr	250	97	98	0	0	8.34
EIB 7⅞ 88 LuxFr	250	96	97	0	+0	8.16
Euratom 8 87 LuxFr	500	99	100	−0	−0	7.93
Finland I. F. 8 88 LuxFr	250	97	98	0	0	8.33
Norway 7⅞ 83 LuxFr	250	97½	98	0	+0	8.31
Norges Km. 8 84 LuxFr	500	98	99	+0	+0	8.15
Oslo, City of 8 89 LuxFr	500	98	99	+0	+0	8.17
Renault 7⅞ 88 LuxFr	500	97	98	0	−0	8.10
Solvay Fin. 8 85 LuxFr	500	100	101	−0	−0	7.88
Swedish Bk. 8 88 LuxFr	500	100	101	0	−0	7.89

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Arab Intl. Bank M8.5 83	0	96	97	31/7	11.44	11.81
BFG Fin. Co. M5.5 89	0	98½	99	12/7	12.4	12.56
Bco. El Salvador M8 83	1	97	97	12/10	12	12.58
Bco. Nac. Argnt. M8 83	0	100	100	21/7	12	12.20
Bco. Nac. Argnt. 7 86	0	97	98	22/9	11½	11.72
Banco Urquijo 6 86	0	97	98	21/9	11½	11.75
Bank of Tokyo M5½ 93	0	97	98	18/10	11	11.98
Banque Worms M5½ 85	0	98½	99	16/6	12	12.15
Bq. E. d'Alg. M8.375 84	0	97	97	9/8	11	12.21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
April 20 ...	95.31	8.82	89.32	9.36
April 12 ...	95.38	8.81	89.41	9.32
High '79 ...	95.75	(1/2)	89.90	(30/1)
Low '79 ...	94.40	(11/1)	88.67	(28/2)

EUROBOND TURNOVER (nominal value in $m)

U.S. $ bonds	Cedel	Euroclear
Last week	363.8	961.7
Previous week	483.1	1,172.7
Other bonds		
Last week	265.2	297.6
Previous week	338.9	424.6

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Bondtrade; Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Krediet Bank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on April 20

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Adnams (Southwold), Conservative Hall, Southwold, 12.00
Baynes (Charles), 6 East Park Rd, Blackburn, Lancs., 12.00
Davies and Metcalfe, Injector Works, Romiley, near Stockport, Cheshire, 11.30
New Equipment, Crasdate, County Durham, 9.30
Royco, Winchester House, 100 Old Broad St., EC, 11.30
Scottish Eastern Invst. Trust, 29 Charlotte Sq., Edinburgh, 12.30

BOARD MEETINGS—
Finals:
Amlgd. Metal
Camrex
Corinthian Hldgs.
Elec. and Ind. Secs.
London Utd. Invs.
Office and Elec. Machines
Provident Financial
Revertex Chems.
Rugby Portland Cement
Wood and Sons

Interims:
Long and Hambly
MY Dart
Moran Tea
Tyzack (W. A.)
Wade Potteries

DIVIDEND & INTEREST PAYMENTS—
Anglo-American Corp. of South Africa Reg. Uns. 2½pc
Bluebird Confectionery 1.26p
City, International Trust 2p
Grand Metropolitan 2.9928p
Kode Int. 3.45044p (inc. supp. dist. of 0.046p 1977)
LWT A Ord. 3.9105p
Law Debenture Corp. 3.5p
Morgan (J. P.) I.D.R.'s 62½cts
New Equipment 0.66p
North Surrey Water 3.5pc Ord. 1.75pc
North Surrey Water 3.5pc (fmly. 5pc) Ord. 1.75pc
North Surrey Water 7pc Ord. 3.5pc
North Surrey Water 4.9pc A Ord. 2.45pc
North Surrey Water 4.9pc B Ord. 2.45pc
Rotaflex (G.B.) 1.7931p
Stakis (Reo) Org. 0.808p
Wiggins Cons. 0.825p
Woolworth (F. W.) 3.245p

TOMORROW

COMPANY MEETINGS—
Aquis Secs., The Clarendon Court Hotel, Maida Vale, W9, 12.00
City Offices, Winchester House, 100 Old Broad St., EC, 12.00
Comben, The Great Eastern Hotel, Liverpool Street, EC, 12.00
Hall-Thermotank, Home Gardens, Dartford, Kent, 12.45
International Inv. Trust, Winchester House, 100 Old Broad Street, EC, 12.30
Investing in Success Equities, Regis House, King William Street, EC, 10.45
Mercantile Inv. Trust, 20, Aldermanbury EC, 12.00
Needlers, Sculcoates Lane, Hull, 12.00
Ratcliffs, 78 Harborne Rd., Birmingham, 3.00
Shakespeare (Joseph), Station Hotel, Dudley, W. Midlands, 12.15
Sterling Ests., 78 Grosvenor St., W, 4.00
Vantona, Midland Hotel, Manchester, 2.30
Westwood Dawes, Pedmore House, Hamlane, Pedmore, Stourbridge, 12.30

BOARD MEETINGS—
Finals:
Alpine Hldgs.
Bodycote Intnl.
Danish Bacon
English National Inv.
Estates Duties Inv. Tst.
Farm Feeds
Farnell Elecs.
Foseco Minsep
JB Hldgs.
Martin-Black
Menzies (John)
North (M. F.)
Oxley Printing
Sandeman (Geo. G.)
Secs. Tst. of Scotland
Sheffield Brick
Siemssen Hunter
Silentnight
Stylo Shoes
Tozer Kemsley and Millbourn
Utd. Carriers

Interims:
Atlanta, Baltimore and Chicago Reg. Inv. Tst.
Linread
Spencer Gears

DIVIDEND & INTEREST PAYMENTS—
Blundell-Permoglaze 6½pcPfd. 2.275pc
Cardiff 11pc Red. 1988 5½pc
Davies, Metcalfe Ord. and A 0.4804p
Diploma 7pcPrf. 2.45pc
English Assoc. of American Bd. and Share Holders 4.875p
International Stores Lns. 2½, 3½, 3¼pc
Shakespeare (Joseph) 1.2089p
South British Insurance 10cts
Tyzack (W.), Turner 1.25p
Warnford Invsts. 3.27p

WEDNESDAY, APRIL 25

COMPANY MEETINGS—
Anglia TV, Anglia House, Norwich, 2.30
Camellia Invsts., Grosvenor House, Park Lane, W, 10.30
Change Wares, Barrington House, 59-67 Gresham St., EC, 12.00
Dollar Land, Winchester House, 100 Old Broad St., EC, 12.00
Embankment Trust, 21 Moorfields, EC, 3.00
Ford (Martin), Winchester House, 100 Old Broad St., EC, 12.00
Goode Durrant Murray, Durrant House, Chiswell St., EC, 10.00
Molins, Caxton Suite, London Press Centre, 76 Shoe Lane, EC, 12.15
Sale Tilney, 25 Queen Anne's Gate, SW, 12.30
Steetley, Chartered Accountants' Hall, Moorgate Place, EC, 12.00
Watmoughs, Low Hall, Calverly Lane, Horsforth, near Leeds, 12.00

BOARD MEETINGS—
Finals:
Bestobell
Border Breweries (Wrexham)
Fogarty (E.)
Future
Harrison (T. C.)
Home Charm
Hopkinsons Hldgs.
Haskins and Horton
Jessel Toynbee
London and European
Richardsons Westgarth
Simon Eng.
Smith St. Aubyn
Spillers
Telephone Rentals

Travis and Arnold
Wight Construction

Interims:
Cooper (F.)
Simpson (S.)

DIVIDEND & INTEREST PAYMENTS—
Bankers Trust New York Corp. 75cts
British Invst. Trust Db. 2½pc
CPC Int. 75cts
Camellia Invsts. 22.5pc
Cement-Roadstone 2.33p
Change Wares 0.2p
Change Wares 12pcPtg Prf. 2pc
Fife Forge
Ford (Martin) 1.16p (inc. supp. dist. of 0.01554p (2/12/77)
General Electric 65cts
Investing in Success Equities 2.4455p
Manufacturers Hanover Corp. 57cts
Mercantile Invst. Trust 1.35p
Rue Estates 7p
Watmoughs 2.8534p
Wheat Hampshire Water Ord. A (7pc Max. fmly. 10pc) 3.5pc
Wheat Hampshire Water B (4.9pc Max. fmly. 7pc) 2.45pc
Wheat Hampshire Water 3.5pc (fmly. 5pc) Ord. 1.75pc

THURSDAY, APRIL 26

COMPANY MEETINGS—
BSR, Savoy Hotel, WC, 11.00
Carlton Inds., Grand Hotel, Broad St., Bristol, 12.00
City, Foreign Invst., 117 Old Broad St., EC, 2.30
Fife Forge, Sneakon Road, Kirkcaldy, 12.00
Howden (Alexander), Great Eastern Hotel, Liverpool Street, EC, 12.00
Sharpe (W. N.), Bingley Road, Heaton, Bradford, 12.00
Rentokill, Felcourt, East Grinstead, West Sussex, 10.30
Stone Platt, Quaglino's Hotel, Bury St., SW, 12.00

BOARD MEETINGS—
Finals:
Amlgd. Power Eng.
Barrow Hepburn
Brook Street Bureau of Mayfair
Copydex
Ellis and Goldstein
Hight Refuelling
Gerard and Natl. Discount
Horeringham
Mowlem (J.)
Newarthill
Perry (Harold)
Petrocon
Rowan and Boden
Vickers

Interims:
Anglo Scottish Inv. Tst.
Dowding and Mills
Lawrence (Walter)
RCF
Simpson (S.)

DIVIDEND & INTEREST PAYMENTS—
Adams, Gibbon 2.875p
Anglo-American Gold Invst. 150cts
Anglo American Invst. Trust 520cts
Bejam 0.77p
Broadstone Invst. Trust 4.15p
De Beers Cons. Mines Dfd. (Reg.) 48cts
Dickie (James) 2.438p
Fairview Ests. 2.75p
Kent 9¼pcRd. 1978-80 4⅝pc
Lunuva (Ceylon) Tea, Rubber Ests. 10p
Roidal-Suidal Kraft A/S 6¼pc 20-yr Sec. Do.Ln. of 1985 3⅛pc
Steetley 4.472637p
Steetley 4½pcPf. 1.575pc

FRIDAY, APRIL 27

COMPANY MEETINGS—
Brittanic Assurance, Moor Green, Moseley, Birmingham, 12.00
Dufay Bitumastic, Winchester House, 100, Old Broad St., EC, 12.00
Garton Eng., Barr Hotel, Pearl Tree Drive, Gt. Barr, 12.00
Inveresk, Connaught Rooms, 12.00
Lex Service, 17, Great Cumberland Place, W, 12.00
Oliver (George), Murrayfield, Rd., Braunstone, Leicester, 12.00
Tomatin Distillers, Mayfair Hotel, Stratford Street, 12.15
Transport Development Group, Abercorn Rooms, Bishopsgate, EC, 12.00
Tricentrol, Gt. Eastern Hotel, Liverpool St., EC, 12.00
Weber Hldgs., 63 and 65 Piccadilly, W, 3.00
Woodhouse Rixon, Tapton Hall, Shore Lane, Sheffield, 11.45

BOARD MEETINGS—
Finals:
Allebone
Belgrave (Blackheath)
Burrell
Hammerson Property and Inv. Tst.
Hestair
Scottish Ontario Inv.
Silhouette (London)
Sunlight Service
Tarmac
Whatman Reeve Angel
Winn Inds.

Interim:
McKechnie Bros.

DIVIDEND & INTEREST PAYMENTS—
Amal. Tin Mines of Nigeria 1p
Amber Day 0.8375p
Assoc. Dairies Deb. 3½pc
Australian, Inc. Trust 1p
BSR 3.5p
Bank of Nova Scotia 31cts
Brotherhood (Peter) 1.0425p
Clifford, Snell 0.3435p
Comben 1.2p
Cornell Dresses 0.8p
Dawnay Day 0.7p
Decca Ord. and A 3.3p
Dewhurst Dent 0.8p
Fife Forge 1.694p
Goode Durrant and Murray 0.28p
Green (R.) Properties 0.805p
Inveresk 1.417p
Liverpool Daily Post, Echo 5.098p
NCR Corp. 40cts
Parker Knoll Ord. and A 0.725p
Rentokil 1.15p
St. John D'el Rey Mining 10pcPf. 30cts
Scottish, Newcastle Breweries Db. 3½ 3 3½ 3¾ 3⅞pc
Sharpe (W. N.) Ord. and A Ord. 2.7202p
Shaw Carpets 10pcPf. 7.5pc
Silkolene Lubricants 1.8242p
Tomatin Distillers 2.4423p
Toronto Dominion Bank 30cts
Transatlantic Market Trust 12p
Walker (J.) Goldsmith Ord. and NV 1p
Western Mining 2cts
Whittingham (William) 2.01p

SATURDAY, APRIL 28

DIVIDEND & INTEREST PAYMENTS—
Canadian Imperial Bank of Commerce 40cts
Riverview Rubber Ests. Berhad 3cts

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AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury. 0296 5941

Abbey Gilt Int. Tst.	109.0	114.7	+0.1	7.08
Abbey Capital	39.6	42.7	+0.1	4.25
Abbey Income	46.6	49.6		6.13
Abbey Inv. Tst. Fd.	40.7	43.3		4.44
Abbey Gen. Tst.	54.0	57.4	-0.1	4.06
Equitas Prog. Tst.	73.4	77.4	+0.1	4.37

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt & Pref.	98.3	103.5		12.43

Allied Hambro Group (a) (g)
Hambro Hse., Hutton, Brentwood, Essex. 01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	78.0	83.5		4.48
Brit. Inds. Fund	76.9	82.3	+0.1	4.86
Grth. & Inc.	43.7	46.8	+0.1	4.70
Elect. & Ind. Dev.	41.0	43.9		4.24
Allied Capital	81.4	87.1	+0.1	4.16
Hambro Fund	126.8	135.7	+0.3	4.78
Hambro Acc. Fd.	146.1	156.3	+0.4	4.20
Income Funds				
High Yield Fd.	81.2	86.9		7.48
High Income	75.0	80.3	-0.1	6.63
A. H. Eq. Inc.	44.7	47.8		6.69
International Funds				
International	25.4	27.2		2.95
Pacific Fund	38.1	40.8	-0.2	2.18
Secs. Of America	54.3	58.1	-0.1	1.98
Specialist Funds				
Smaller Co.'s Fd.	47.7	51.0	-0.1	3.73
2nd Smlr. Co's Fd.	59.2	63.4	-0.1	3.94
Recovery Sits.	115.3	123.4	-0.4	4.46
Met. Min. & C'dty.	47.2	50.5	-0.4	4.53
Overseas Earnings	66.3	70.9	+0.1	4.09
Exempt Funds				
Far East Exempt	43.9	45.7	-0.3	2.19
Smaller Co. Exempt	74.6	78.3	-0.2	4.15

Friends' Provdt. Unit Tr. Mgrs.
Pixham End, Dorking. 0306 5055

Friends Prov. Uts.	51.2	54.7		4.39
Do. Accum.	67.6	72.2		4.39

Funds in Court
Public Trustee, Kingsway, WC2 01-405 4300

Capital April 11	112.2	114.7		4.37
Gross Income Apr. 11	82.5	87.6		8.22
High Yield April 11	96.8	98.7		8.51

*Unauth. Restricted to monies under Court control.

G.T. Unit Managers Ltd.
16 Finsbury Circus, EC2M 7DD 01-628 8131

G.T. Cap. Inc.	106.7	113.9	-1.3	2.60
Do. Acc.	131.0	139.3	-1.7	2.60
G.T. Inc. Fd. Un.	177.8	189.1	-1.4	6.30
G.T. U.S. & Gen.	126.9	135.0	-0.9	3.10
G.T. Japan & Gen.	81.0	85.7	-0.7	2.0
G.T. Pens. Ex. Fd.	214.4	225.0		2.80
G.T. Int'l. Fund	153.0	162.7	-1.8	1.60
G.T. Four Yds. Fd.	63.2	67.2		7.60
G.T. Far East & Gen.	44.3	47.6	-0.6	2.20

G. & A. Trust (a) (g)
5 Rayleigh Road, Brentwood. (0277) 227300

G. & A.	39.1	42.0		4.40

Gartmore Fund Managers (a)(g)
2 St. Mary Axe, EC3A 8BP 01-283 3531
Dealing only: 01-623 5766/5806

American Tst.	24.5	26.3		0.42
British Tst. (Acc.)	65.8	70.7		3.85
Commodity Share	175.0	188.2	-0.2	3.50
Extra Income Tst.	27.6	29.7	-0.1	7.80
Far East Trust	32.4	34.8	-0.3	0.84
High Income Tst.	66.3	71.3	-0.1	8.41
Income Fund	85.6	92.1	-0.5	6.17
Ins. Agencies	15.38	16.32		3.78
Intl. Exempt Fd.	102.0	111.1	+0.3	6.09
Intl. Tst. (Acc.)	31.4	33.8	-0.2	0.76

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

Alexander Fund
37, rue Notre-Dame, Luxembourg.
Alexander Fund ... US$7.32 ... —
Net asset value April 18.

Allen Harvey & Ross Inv. Mgt. (C.I.)
1 Charing Cross, St. Helier, Jsy., C.I. 0534-73741

AHR Gilt Edg. Fd.	£12.30	12.31		11.07

Arbuthnot Securities (C.I.) Limited
P.O. Box 284, St. Helier, Jersey. 0534 76077

Cap. Tst. (Jersey)	126	130		—

Next dealing date May 1.

Gov't Secs. Tst.	97.5	101.00		12.37

Next dealing April 23.

East & Intl. Tst. (C.I.)	100	107		3.50

Next dealing date May 3.

Australian Selection Fund NV
Market Opportunities, c/o Irish Young & Outhwaite, 127 Kent St., Sydney.
US$1 Shares ... $US1.48 ... —
Net asset value November 24.

Bank of America International S.A.
35 Boulevard Royal, Luxembourg G.D.

Wldinvest Income	$US112.91	113.17	-0.22	8.17

Prices at April 20. Next sub. day April 27.

Banque Bruxelles Lambert
2, Rue De la Regence B 1000 Brussels

Renta Fund	$US63.54	65.52	+0.20	8.05

Barbican Managers (Jersey) Ltd.
P.O. Box 63, St. Helier, Jersey 0534 74806

Barb. Int. Fund	91.9	96.7		5.00

Barclays Unicorn Int. (Ch. Is.) Ltd
1, Charing Cross, St. Helier, Jsy. 0534 73741

Overseas Income	49.0	51.5	-0.7	11.40
Unidollar Trust	$US11.39	12.01	-0.50	1.60
Unibond Trust	$US104.72	105.63	-0.01	8.60

Barclays Unicorn Int. (I.o.Man)
1 Thomas St., Douglas, I.o.M. 0624 4856

Unicorn Aust. Ext.	45.3	48.8		1.80
Do. Aust. Min.	32.6	35.1		1.70
Do. Grtr. Pacific	70.6	76.0		—
Do. Intl. Income	38.9	41.9		8.3
Do. I. of Man Tst.	47.9	51.6	-0.5	8.70
Do. Manx Mutual	27.8	29.9		1.70

Keyser Ullmann Ltd.
25, Milk Street, EC2V 8JE. 01-606 7070

Fonselex	Fr1,357	1,491		2.50
Bondselex	Fr118.85	125.95		—
Cent. Assets	£144.51	144.59	+0.01	—

King & Shaxson Mngrs.
1, Charing Cross, St. Helier, Jersey. (0534) 73741
Valley Hse., St. Peter Port, Gnsy. (0481) 24706
1 Thomas Street, Douglas, I.O.M. (0624) 4856

Gilt Fund (Jersey)	10.10	10.15		11.00
Gilt Trust (I.o.M.)	116.7	119.7		11.00
Gilt Fnd. Guernsey	10.39	10.43		11.00
Intl. Govt. Secs. Tst.				
First Sterling	£21.00	21.13		—
First Intl.	$US224.17	224.99		—

Kleinwort Benson Limited
20, Fenchurch St., EC3. 01-623 8000

Eurinvest. Lux. F.	1,095			4.38
Guernsey Inc.	70.4	74.8		2.85
Do. Accum.	89.5	95.1		2.85
KB Far East Fd.	$US13.09			1.53
KB Gilt Fund	£11.79	11.87		10.33
KB Intl. Fund	US$12.58			1.83
KB Japan Fund	$US23.77			0.74
K.B. U.S. Gwth. Fd.	US$13.24			1.51
Signet Bermuda	$US5.24			1.72
K.B. Int. Bd. Fd.	$US104.05			—

Lloyds Bk. (C.I.) U/T Mgrs.
P.O. Box 195, St. Helier, Jersey. 0534 27561

Lloyds Tst. O'seas.	54.3	57.1		2.17

Next dealing May 15.

Lloyds Trust Gilt	£10.62	10.63		11.50

Next dealing May 2.

Lloyds Bank International, Geneva
P.O. Box 438, 1211 Geneve 11 (Switzerland)

Lloyds Int. Growth	SF332.50	356.00		1.20
Lloyds Int. Income	SF294.50	306.00		5.29

M & G Group
Three Quays, Tower Hill EC3R 6BQ. 01-626 4588

Atlantic April 17	$US3.14	3.43		—
Aus. Ex. April 18	$US2.37	2.60		—
Gold Ex. Acc.	$US11.95	13.15		—
Island	147.3	156.8	-0.8	13.53
(Accum Units)	214.5	228.2	-1.2	13.53

Samuel Montagu Ldn. Agents
114, Old Broad St., EC2. 01-588 6464

NOTES

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LOANS

Public Board and Ind.

Financial

Interest Due		Stock	Price £	Last xd	Yield Int.	Red.
11J	11J	Do. 10½pc Uns.Ln. '86.	99	11.12	10.96	11.40
11J	11J	Do. 11pc Uns.Ln. '88	98½	11.12	11.56	11.80
11J	11J	Do. 11¾pc Uns.Ln. '90.	100	11.12	12.19	12.40
30 Je	31 D	Do. 7¼pcADeb. '89-92.	70½	27.11	10.75	12.20
31Mr	30S	Do. 7¼pcA Db. '91-94.	67xd	12.2	10.82	12.00
31Mr30S		Do. 9pc'A' '91-94	79½xd	12.2	11.32	11.90
28F	31A	Do. 8⅞pcLn. '92-97	77	29.1	11.81	12.00

FOREIGN BONDS & RAILS

Interest Due		Stock	Price £	Last xd	Div % Gross	Red. Yield
—		Antofagasta Rly.	22	87	—	—
1J	1J	Do. 5pc Pref.	40	13.11	—	—
1J	1J	Chilean Mixed	98	2.10	—	13.10

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Dividends Paid		Stock	Price	Last xd	Div Net	Cvr	Y'ld Gr's	P/E
Jan.	Apr.	Dawes (G. R.)	15	18.10	—	—	—	—
—		Deutsche Bank DM50	£87	—	Q18%	—	2.8	—
—		F. C. Finance	75	16.10	2.2	♦	4.4	♦
—		First Nat. 10p	7¼	974	—	—	—	0.5
—		Do. Wrts. 75-83	2¼	—	—	—	—	—
—		Fraser Ans. 10p	16¼	676	—	—	—	—
June	Dec.	Gerrard Natnl.	230	30.10	g9.12	—	5.9	—
May	Nov.	Gibbs (A.)	54	2.10	2.23	—	6.2	—
Mar.	Aug.	Gillett Bros. £1.	268	26.2	16.95	—	9.4	—
June		Goode D'l Mry.5p	28	12.3	0.25	—	1.3	—
Nov.	April	Grindlays	140	12.3	3.07	7.5	3.3	4.3
April	Oct.	Guinness Peat	109	12.2	H5.67	—	7.8	—
Dec.	July	Hambros	268	27.11	†9.76	—	5.4	—
Dec.	July	Hill Samuel	104	13.11	†4.97	—	7.1	—
—		Do. Warrants	219	—	—	—	—	—

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MINES—Continued

AUSTRALIAN

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
	—	Acmex	9	—	—	—	—
Nov.	Apr.	Bougainville 50 Toea	128	14.3	Q15c	1.0	7.2
	—	BH South 50c	84	974	—	—	—
	—	Central Pacific	500	—	—	—	—
Oct.	May	Conzinc Riotinto 50c	220	14.3	§Q10c	2.0	2.7
	—	Cultus Pacific N.L.	22	—	—	—	—
	—	Endeavour 20c	14	—	—	—	—
	—	G.M. Kalgoorlie $1	62	6'67	—	—	—
	—	Haoma Gold N.L.	26	—	—	—	—
September		Hamptn Areas 5p.	167	15.1	♦13.55	2.0	3.2

TINS

COPPER

MISCELLANEOUS

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Feb.	Aug.	Buffels R1	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Aug.	Feb.	East Drie R1	$10⅛	2.1	Q115c	1.6	13.1
Aug.	Feb.	East Rand Prp. R1	420c	2.1	Q10c	—	2.8
June	Dec.	F.S. Geduld 50c	$22¾	30.10	†Q315c	2.4	16.2
June	Dec.	Pres. Brand 50c	$13¾	30.10	†Q150c	3.2	12.8
May	Nov.	St. Helena R1	$11½	26.3	Q190c	1.4	19.0
Aug.	Feb.	Stilfontein 50c	545c	2.1	Q66c	♦	14.0
Aug.	Feb.	Vaal Reefs 50c	$22¾	29.1	Q280c	2.7	14.1
Feb.	Aug.	West Drie R1	$31¼	2.1	†Q385c	1.7	14.1
June	Dec.	West Hldgs. 50c	$29½	2.5	†Q415c	1.4	14.4
Feb.	Aug.	Western Deep R2	$11¼	29.1	Q147½c	2.1	15.1

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 33 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Sterling denominated securities which include investment dollar premium.
- "Tap" Stock.
- Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- Not comparable.
- Same interim: reduced final and/or reduced earnings indicated.
- Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- Excluding a final dividend declaration.
- Regional price.
- No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 41

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

IRISH

OPTIONS

3-month Call Rates

FINANCIAL TIMES
Monday April 23 1979

OUTLOOK FOR JUNE 7 EURO-ELECTION

Low poll predicted in UK

BY REGINALD DALE, EUROPEAN EDITOR

TURNOUT BY British voters in the June 7 European election is likely to be extremely low unless there is a major increase in public interest in the coming weeks.

The prospect is causing considerable concern to those who fear that the credibility of the first directly-elected British Euro-MPs will be undermined if they are not backed by a substantial proportion of the electorate.

In a private poll conducted for the Parliament by NOP earlier this month, only 28 per cent of respondents said that they certainly intended to vote in the European election.

This compared with 73 per cent who said they would certainly vote in the General Election on May 3. Only 4 per cent knew the date of the European election.

If those saying they would probably vote are included, the figures come to 54 per cent for the European election, against 83 per cent for the General Election.

But as an 83 per cent turnout has not been achieved in a General Election since the war, doubt must also be cast on the European figure.

The British figures are particularly striking in that polls in the other eight EEC member countries already suggest a turnout of between 60 and 70 per cent on June 7.

The Parliament's advocates hope that public interest will be aroused once the General Election is over and the European campaign gets into full stride.

If not, they believe there is a danger that the democratic credentials of Britain's representatives in Strasbourg and the reputation of the Parliament itself, will be damaged.

The European Parliament's £1.1m information programme in the UK has been thrown off course by the timing of the General Election. A number of activities have had to be cancelled in deference to political sensitivities during the General Election campaign.

AWARENESS

	per cent
Heard of European Parliament	62
Aware of elections at some stage	49
Of which:	
Know elections will be some time this year	15
Know will be in June	9
Know will be on June 7	4
No idea when	21
	49

INTENTIONS
(after told European elections on June 7)

	European election	General election
Will certainly vote	28	73
Will probably vote	26	10
Probably note vote	17	3
Certainly not vote	11	4
Not know or ineligible	18	9

As soon as that election is over, a £500,000 advertising campaign will get under way, financed partly from the European Parliament's Budget and partly from that of the European Commission. The theme will be "Have your say on June 7—Use your Eurovote."

But it will clearly be an uphill struggle, given that 38 per cent of those responding to NOP'S inquiries had never even heard of the European Parliament. A more encouraging response was given by the 49 per cent who knew that there were going to be European elections at some stage, up from 30 per cent in the autumn.

Agents' Sasse talks today

BY JOHN MOORE

A GROUP of Lloyd's of London underwriting agents is meeting today to explore ways in which the stricken Sasse syndicate can be helped to meet its £13.6m losses.

The move follows the refusal last week by the 16-strong Lloyd's committee of a request by the members of the syndicate, formerly managed by Mr. Frederick Sasse, to increase a £7m loan facility which the Lloyd's committee had arranged.

The agency companies who will be represented at today's meeting are H. Clarkson and Co. (Agencies), R. F. Kershaw, Bradstock, Plunket and Crawley (Underwriting agencies), Fenchurch Underwriting Agencies (part of the Guinness Peat group), Gordon Brighton (Underwriting agencies), Sellers Allt (Underwriting agencies), Tyer (Underwriting agencies), Lime Street Underwriting Agencies, and Kingsley Underwriting Agencies.

These are the agents who introduced over 90 of the members to the 110-strong Sasse syndicate.

Merrett Dixey Syndicates, the group which took over the management of the syndicate from Mr. Sasse, is expected to be present along with Baker Sutton, the auditors who have been investigating the syndicate's accounts.

Submission

The agents will discuss ways in which the letter of credit, arranged by Lloyd's to allow the members to borrow up to £7m, can be made interest free. Under the conditions imposed by Lloyd's any member of the Sasse syndicate taking advantage of the loan was responsible for the bank charges and interest.

The agents are debating whether they should meet the members' interest payments on any loan which they take up. But whether this facility should be arranged as an interest-free loan, repayable by the members at some future date, or a gift, or even arranged at all is still under discussion.

The agents intend to submit a recommendation to the Lloyd's committee for consideration at its weekly meeting on Wednesday.

Meanwhile, syndicate members who had been planning to take legal action against the Corporation of Lloyd's and the Committee, over claims that some of Lloyd's safeguards broke down when the losses were incurred, are deferring legal proceedings.

At a higher level, discussions have taken place between Lloyd's representatives and the Department of Trade for the extension of the syndicate's audit date. Audit certificates need not now be submitted until the end of July.

THE LEX COLUMN

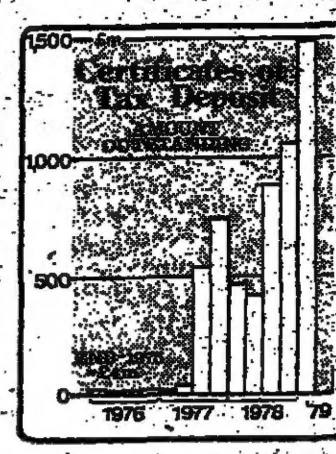
Cash contrasts at BL and Ford UK

On Friday Ford UK published its annual report for 1978, and tomorrow BL will follow suit; the two documents will make a fascinating comparative study. It was a year when, for a change, Ford suffered more from disputes than did BL, claiming that the nine-week strike cost £130m in lost profits against "at least £50m" for the nationalised rival. Yet still Ford turned in £242m against £246m pre-tax on an historical cost basis, representing a return on capital employed of around 38 per cent, while BL was struggling at around the break-even point.

Ford continues to place heavy emphasis on current cost accounting, which tends to be taken up with greater enthusiasm by highly profitable companies. Sure enough there was a sharp fall in current cost pre-tax profits in 1978 under the weight of increased adjustments for depreciation and cost of sales, but the group still achieved a real return on capital of 12 per cent. It will be interesting to see whether BL has changed its mind on applying the Hyde recommendations this time—last year the annual report explained somewhat obscurely that "the company has borrowed so heavily that the application of the interim guidelines would be misleading."

The real facts of life, however, show up inevitably in the cash flow picture. BL's capital spending of £233m in 1978 (it will be "slightly higher" in 1979) dwarfed cash generated from trading of around £40m after extraordinary items. The group is largely being funded by injections from the NEB outside the normal capital market. Yet Ford UK managed to double its capital spending last year to £168m and still piled up an extra £88m in liquid funds, though this may have been connected with the freak drop in stocks caused by the strike.

Ford's experience shows what a comfortable tax haven Britain is for a company which can actually make good returns. In the past five years Ford has made profits of £633m and paid just £81m in taxes. But the group will, of course, suffer much heavier taxes unless its capital spending rockets; sure enough the annual report shows a rise in commitments and authorisations from £166m to £465m. And all this without the NEB.



Tax certificates

If the Bank of England was going to cut the rate on Treasury bills would it announce the fact beforehand and still supply bills at the old price in the meantime? Obviously not, but this is effectively what happened last week, when the authorities gave advance warning that they were cutting the rates on certificates of tax deposit (CTDs) which are rapidly replacing Treasury bills as the Government's most flexible short term funding instrument.

Normally the Inland Revenue (on Treasury instructions) announces the new rate over the weekend. But last week, for some unknown reason, the change was announced midweek, giving investors 24 hours, at least, to buy CTDs at the higher rates. If there had been a similar leak over Minimum Lending Rate there would have been resignations at the Bank of England. But in Whitehall they do not appear as concerned about the need for "orderly markets" as is the Bank.

A couple of years ago hardly anyone had heard of CTDs and there were only £12m worth in issue currently, there are £1.5bn outstanding and over the last six months the authorities have sold a net £1bn of CTDs compared with £80m of Treasury bills. The number of Treasury bills in issue has shrunk from £12.4bn in mid-1976 to close to £6bn now. That should give the discount houses something to think about if nobody else.

The purpose of CTDs is to persuade companies with surplus cash to deposit it with the authorities ahead of the tax paying season. Big oil companies, for example, appear to be using CTDs to meet their increasingly heavy petroleum revenue tax payments in May and November. However, CTDs have their drawbacks as is now becoming obvious. There are signs that companies are exploiting the unsophisticated interest rate structure by arbitrating extensively between the money markets and CTDs. This could well partly explain the recent rise in bank lending, and the volatility of this demand is making a nonsense of the money supply seasonal adjustments.

One solution canvassed by brokers Joseph Sebag, is that CTDs ought to be variable rate instruments. This would help but it is not clear why over the longer term the CTD machinery is any better than the weekly Treasury bill tender.

Share splits

The recent rise in BP's share price, which now, at £12 or so, sticks out of the FT 30-share index like a peculiarly healthy thumb, has provoked calls for a share split or a heavy scrip issue to bring the price back into line with the rest of the market. Since Shell, with a share at little more than half the price, announced a scrip in March, it has been increasingly assumed that BP will follow.

The supposed benefits are largely intangible, the most plausible being an improvement in the marketability of the shares. But that is not really a problem for BP. Another argument commonly advanced is that small shareholders are put off by high prices, because they would rather hold 1,000 shares than 100. But there is no evidence that a price of £12 is high enough to be a real deterrent.

Wall Street has seen a run of share splits this year, set off by the split announced by IBM in December. In the case of IBM the share price had risen to a level—$300—at which small investor interest genuinely may have been harmed.

But there may be very real disadvantages for the shareholder in whose supposed interests the operation is carried out. In the UK the jobber's turn may be proportionately wider on the lower value share, while in the U.S. the level of brokers' commissions, which depend partly on the number of shares traded, can be higher after a split.

It is a sad commentary on the recent performance of the stock market that the modest sum of £5 should be thought a lot to pay for a share. BP may yet decide to fall reluctantly in line. But perhaps all the rest are out of step, and BP should not be ashamed to flaunt its towering share price.

Britel plan shelved

BY MAX WILKINSON

PLANS BY the Post Office, Cable and Wireless and Airadio, the British Airways subsidiary, to set up a telecommunications consultancy to be called Britel, have been shelved.

It was to have combined the expertise of the three state-owned bodies to provide a strong British presence in overseas markets.

It was suggested first by Sir Raymond Brown, chairman and managing director of Muirhead, in a report he wrote for the National Economic Development Office on how to make British telecommunications more competitive overseas.

At first all three organisations appeared to welcome the idea, but as discussions advanced, several serious conflicts of interest began to emerge.

The main difficulty was that Cable and Wireless wished to retain its international reputation for independence and impartiality. It believed that it could lose business if it came to be identified too closely with a sales effort for British manufacturers.

This difficulty was emphasised because the Post Office has recently abandoned its traditional stance of lofty independence from the exporting effort of British manufacturers. Earlier this year it became a shareholder in United Telecommunications Services, a joint overseas marketing company for the new computerised System X family of telephone exchanges. System X is being developed by the Post Office in close collaboration with Plessey, the General Electric Company and Standard Telephones and Cables, which are all partners in the overseas marketing company.

It was feared that if the Post Office were closely involved in the marketing of System X and at the same time a partner in Britel, the two might become too closely linked for Britel to be successful as an independent consultancy.

In place of Britel, the Post Office is now trying to expand its own overseas consultancy service, which has had considerable success since it was established 18 months ago.

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Unions

picketing," might be illegal under the Tories' proposals.

● Lord Denning said yesterday he had no idea his remarks would cause a reaction. "I had no thought of anybody taking notice of me so far away. I was speaking to an audience of academics and students thousands of miles away and I was simply dealing with the problems in our society. I brought in the trades unions as an example."

At Heathrow Airport, on his return from Canada, Lord Denning said: "I had no thought of the election or of any political issues. There was no political context at all. I had no wish to influence people's views, and I am very sorry if it should influence people."

But he repeated his claim that trade union power was a challenge to the law.

He said: "Anyone with any great power is the subject of interest to the community. Bodies with large powers must therefore be the subject of informed comment. No one can dispute that unions have great power."

Italian plant discounts 'break EEC price rules'

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

INFORMATION ON price cutting by the Italian steel and heavy steel fabrication industries, in contravention of EEC competition and pricing rules, has been passed by the Process Plant Association to the Department of Industry.

The allegation of infringement of the Davignon plan comes as British heavy fabrication manufacturers appear to be losing a growing proportion of orders for British projects to other EEC countries.

Information monitored by the Process Plant Association shows that while capital expenditure on plant and machinery by the chemicals, coal and petroleum industries increased last year, the value of orders taken by British heavy fabricators has fallen sharply in the last six months.

In 1977 and the first nine months of 1978, such orders were running at about £100m annually, but in the last quarter of 1978 and the first quarter of this year, they fell to about £30m annually.

A major British manufacturer of process plant has learned from its European associates that the Italians are offering discounts of 20 per cent on Davignon prices by accepting 20 per cent penalties for late delivery, and then quoting a delivery period of three week—almost impossible to meet.

Dr. Jeremy Bray, prospective Labour MP for Motherwell and Wishaw, has accused the Italians of destroying jobs and firms in Britain. At a recent meeting outside the Ravenscraig steelworks, he called on the Governments to specify that fabrication equipment for the next stage of development in the North Sea be supplied from British sources.

Italy is not the only EEC country believed to be infringing pricing and competition rules. France, Holland and Belgium are thought to be using subsidies, agreed by the European Commission, for their shipbuilding industries, and then using them for building heavy plant equipment.

Carter steel quotas dilemma

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT Jimmy Carter faces a difficult dilemma over a steel industry and trade union request for a three-year extension of special steel import quotas beyond June, with no guidance from the International Trade Commission.

The Commission, the U.S. agency that makes trade impact recommendations, last week split on the issue. Two of its commissioners voted to let the quotas on five special steel categories lapse this June. But the other two concluded the domestic industry needed protection beyond then.

The President is not bound by commission recommendations but last week's indecision has left him to decide whether to renew the quotas—and incur the displeasure of foreign producers—or to let them lapse, and risk alienating some of the Congressmen whose support may be crucial for the passage of the GATT trade agreements.

U.S. trade officials, while stressing no White House decision has yet been made, hint that some compromise, such as higher quota levels or a short extension of present ones, might provide a politically convenient solution.

Pushing for the full year extension are the 20 major special U.S. steelmaking companies and the United Steel Workers Union. They have conceded that domestic production of the five product categories covered by import quotas has risen from 722,900 tons in 1975 (the last full year before imposition of the quotas) to 1.25m tons last year.

The line the companies and the union have taken is that these improvements will be quickly undone if quotas are lifted, with many foreign countries eager to offload

If the industry case seems less than ironclad on economic grounds to some administration officials, there are also political considerations. The steel industry has numerous supporters on Capitol Hill and nearly 70 members of the "steel caucus" in the House of Representatives are on record as supporting a quota extension.

Teachers' pay row may go to arbitration

BY MICHAEL DIXON, EDUCATION CORRESPONDENT

A MASS lobby of tomorrow's "last ditch" talks on the pay rise for 482,000 teachers in England and Wales, is to be staged by the 112,000-member National Association of Schoolmasters and Union of Women Teachers.

Mr. Terry Casey, general secretary, said yesterday that he expected that thousands of members would be given permission by school heads to attend the lobby to support his union's demand that the pay dispute should be sent to arbitration.

The dispute is ostensibly between the unions' panel of the Burnham negotiating committee, which is claiming 36.5 per cent, and the education authorities' panel, which has offered 9 per cent back-dated to April 1 plus an "open" reference to the Pay Comparability Commission, with payment of any award split equally between the Aprils of 1980 and 1981.

But there is an underlying conflict between Mr. Casey's union and the 258,000-member National Union of Teachers which, with an absolute majority on the unions' panel of Burnham, can control the negotiations from the unions' side.

Although both Mr. Casey and Mr. Fred Jarvis, general secretary of the NUT, have had talks with Mrs. Shirley Williams, the Education Secretary, and with Mr. Len Murray, general secretary of the TUC, neither union shows signs of shifting from its previous, public position.

The NUT is demanding immediate improvements in the authorities' cash offer and the staging of any award by the comparability commission, plus a guarantee that the commission would not take account of changes in teachers' working conditions since the Houghton Inquiry of 1974.

The main change in these conditions occurred last year when Mr. Casey's union pressed many local education authorities into acknowledging that out-of-hours activities such as attendance at parent-teacher meetings were not part of teachers' contractual duties.

At the time Mrs. Williams gave a little-publicised warning that the change—which opened the path to claims for paid overtime—could affect any future consideration of what teachers' relative pay levels should be.

The likelihood that a study by the comparability commission would accordingly recommend a lower ranking for teachers in the "pecking order" for public sector pay is the most evident reason for the NAS-UWT's threat to work a five-hour day from May 8 unless the dispute is sent to arbitration.

Since the NUT says that no progress is possible tomorrow without the improvements it is demanding, Mr. John Wordie, the independent chairman of Burnham, will probably have to send the dispute to statutory arbitration.

Dunlop reject unions' plan for Speke

BY NICK GARNETT, LABOUR STAFF

DUNLOP has rejected the unions' "alternative plan" for maintaining production at the Speke plant on Merseyside, which was closed down last week.

The company said the plan, which would involve manning changes in some sectors and the introduction of new products, "did not contain anything that had not already been considered by the company and rejected as impracticable."

Dunlop unions are now disrupting operations at the company's Midlands and Northern plants by picketing in an attempt to force the company to negotiate the reopening of Speke, based on the alternative proposals.

Mr. John Miller, the Transport and General Workers' Union national secretary for chemicals and rubber, said last night that he had not had notification of the Dunlop decision although the company said it had told union officials.

The unions had only a slim hope that Dunlop would be prepared to discuss the plan, said Mr. Miller. "All we can do now is fight—and we intend to do just that."

Mr. Arthur Todd, chairman of the Speke engineering shop stewards, said the picketing at Dunlop's plants in Birmingham and Coventry would be maintained and if necessary tightened.

In an attempt to maintain production at Fort Dunlop, Birmingham, management has been studying ways of changing its transportation policy to defeat the effects of picketing.

It is apparently switching its attention for the transportation of bulk raw materials from road to rail and has been studying the possibility of using helicopters.

The company said yesterday that 2,128 of the 2,400 Speke workers had now accepted redundancy payments.

The union plan for reopening Speke involves the maintenance of production in the sports, belting and motor-cycle tyre sections with manning reduction of up to 1,000 jobs in the problem motor vehicle tyre department.

New products should be intoduced together with some Government assistance in return for which the unions would make concessions on agreed disputes procedures and flexible working.

Weather

UK TODAY

RAIN in all areas; sunny intervals in England, Wales, and N. Ireland. Cold.

London, S.E. and Cent. S. England, E. Anglia, Midlands, Channel Isles, Cent. N. England

Rain, bright intervals. Max 11 to 12C (52 to 54F).

E. and N.E. England, Borders

Rain, becoming brighter with scattered showers. Max 8 to 10C (46 to 50F).

S.W. England, S. Wales N. Wales, N.W. England, Lakes, I. of Man, S.W. Scotland, N. Ireland

Rain, sometimes heavy, perhaps thunder. Max 8 to 10C (46 to 50F).

Edinburgh, Dundee, Aberdeen, Glasgow, Cent. Highlands, Moray, Argyll, N.W. Scotland

...Rain, sometimes heavy, hill fog. Max 7 to 9C (45 to 48F).

Outlook: Heavy and frequent showers in N. and E.; sunny intervals in W.; night frosts.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	C	16	61	L.Plms.	S	21	70
Algiers	R	18	64	Lisbon	C	18	64
Amsdm.	C	10	50	Locarno	S	14	57
Athens	C	13	55	London	C	13	55
Bahrain	S	33	91	Luxmbg.	C	9	48
Barclna.	C	17	63	Luxor	F	33	97
Belfast	C	9	48	Madrid	C	20	68
Belgrd.	F	14	57	Majorca	S	20	68
Berlin	C	10	50	Malaga	C	27	81
Biarritz	C	14	57	Malta	C	15	59
Bmghm.	C	10	50	M'chstr	C	10	50
Blackpl.	C	10	50	Melbne.	S	19	66
Bordx.	C	15	59	Milan	S	15	59
Boulgn.	C	9	48	Mntreal.	R	11	52
Bristol	C	11	52	Moscow	C	5	41
Brussels	C	11	52	Munich	C	10	50
Budpst.	F	14	57	Nairobi	S	23	73
B. Aires	S	22	72	Nwcstl.	C	10	50
Cairo	S	24	75	N. York	C	17	63
Cardiff	C	11	52	Nice	C	16	61
Cas'b'ca	F	19	66	Oporto	C	16	61
Cape T.	S	21	71	Oslo	C	6	43
Chicago	S	18	64	Paris	C	14	57
Cologne	C	10	50	Perth	S	19	66
Cpnhgn.	C	7	45	Prague	C	11	52
Corfu	F	15	59	Reykjvk.	C	6	43
Dublin	R	9	48	Rhodes	S	17	63
Dbrvnk.	C	13	55	Rio J'o	C	29	84
Ednbgh.	C	12	53	Rome	S	18	64
Faro	S	25	77	Salzbrg.	F	13	55
Florence	S	19	63	Stckhm.	C	6	43
Frankft.	C	10	50	Strasbg.	C	15	59
Funchal	S	22	72	Sydney	R	29	84
Geneva	S	14	57	Tangier	S	22	72
Gibrltr.	S	25	77	Tehran	C	18	64
Glasgow	C	9	48	Tel Aviv	F	20	68
G'rnsey	C	10	50	Tenerife	S	21	70
Helsinki	S	8	46	Tokyo	S	15	59
H. Kong	C	23	73	Toronto	S	10	50
Innsbrk.	C	15	59	Tunis	C	18	64
Invrnss.	C	9	48	Valencia	S	25	77
I.o.Man	C	8	46	Venice	F	15	59
Istanbul	C	10	50	Vienna	S	14	57
Jersey	C	10	50	Warsaw	C	12	54
Jo'burg	S	24	75	Zurich	F	12	54

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

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